
Section III

Agency Analyses

Department of Administration

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 2,660,785	\$ 2,836,538	\$ 2,810,746	\$ 2,520,212
Accounts & Control	4,147,433	4,099,406	4,376,471	4,355,796
Office of Management & Budget	10,271,202	10,939,273	10,051,530	10,105,730
Purchasing	3,093,362	3,292,919	3,322,513	3,306,314
Human Resources	10,542,300	11,229,871	11,796,890	11,927,509
Personnel Appeal Board	133,419	145,252	145,507	145,130
General	61,838,849	63,112,027	54,094,918	58,001,179
Debt Service	179,041,292	170,687,472	220,771,678	185,684,481
Legal Services	2,185,988	2,133,735	2,310,732	2,300,956
Information Technology	41,293,301	47,592,839	42,168,855	42,278,719
Library Programs	2,543,100	2,562,882	2,647,130	2,642,845
Planning	5,354,825	5,198,683	5,508,241	5,502,111
Energy Resources	12,918,016	16,709,448	11,971,361	12,516,361
Construction Permitting, Approvals & Licensing	3,263,975	3,528,328	3,603,499	3,593,573
Statewide Savings	(1,966,421)	(966,421)	(6,205,642)	(5,430,124)
Health Benefits Exchange	12,383,627	16,579,905	9,428,822	9,568,822
Diversity, Equity & Opportunity	1,387,633	1,274,721	1,374,549	1,468,873
Capital Asset Mgmt. & Maintenance	40,859,597	39,758,554	40,734,100	40,669,799
Total	\$ 391,952,283	\$ 400,715,432	\$ 420,911,900	\$ 391,158,286
Expenditures by Category				
Salaries and Benefits	\$ 79,989,972	\$ 80,143,519	\$ 84,568,452	\$ 84,809,552
Contracted Services	15,405,525	22,563,483	13,687,363	13,973,067
Subtotal	\$ 95,395,497	\$ 102,707,002	\$ 98,255,815	\$ 98,782,619
Other State Operations	34,478,839	34,171,236	29,483,580	29,944,098
Aid to Local Units of Government	11,585,292	11,583,018	11,682,361	11,682,361
Assistance, Grants, and Benefits	15,184,735	18,260,018	12,727,967	13,167,967
Capital	56,366,628	63,406,686	48,090,499	51,996,760
Capital Debt Service	178,941,292	170,587,472	220,671,678	185,584,481
Operating Transfers	-	-	-	-
Total	\$ 391,952,283	\$ 400,715,432	\$ 420,911,900	\$ 391,158,286
Sources of Funds				
General Revenue	\$ 237,083,518	\$ 229,671,472	\$ 275,433,837	\$ 248,080,830
Federal Aid	14,896,706	21,447,637	13,306,644	13,215,878
Restricted Receipts	34,263,955	42,293,091	32,519,810	33,095,338
Other	105,708,104	107,303,232	99,651,609	96,766,240
Total	\$ 391,952,283	\$ 400,715,432	\$ 420,911,900	\$ 391,158,286
FTE Authorization	708.7	708.7	707.7	713.7

Summary. The Department of Administration requests FY 2018 expenditures of \$420.9 million from all sources of funds, including \$275.4 million from general revenues. The request is \$29.0 million more than enacted, including \$38.4 million more from general revenues and decreases of \$9.4 million from federal, restricted receipts and other sources. The Department requests staffing authorization of 707.7 full-time equivalent positions, one fewer than the enacted and the revised budgets.

The Governor recommends total expenditures of \$391.2 million from all sources of funds, including \$248.1 million from general revenues. The recommendation is \$0.8 million less than enacted and \$29.8 million less than requested, reflective of debt savings. She recommends staffing of 713.7 full-time equivalent positions.

Staffing Authorization. The Department requests staffing authorization of 707.7 full-time equivalent positions, one fewer than the enacted and the FY 2017 revised budgets, reflecting the transfer of a position from the Office of Regulatory Reform to the Executive Office of Commerce. It also includes funding and authorization for several new positions in the Office of Energy Resources, Office of Management and Budget, Human Resources, Capital Asset Management and Maintenance, Purchasing, and the Division of Construction Permitting, Approvals and Licensing. These new positions are offset by the elimination of unidentified positions.

The Governor recommends staffing of 713.7 full-time equivalent positions. The recommendation appears to largely include the Department's request to reassign positions by increasing the number of undefined vacancies without increasing the authorized level. It is 6.0 positions more than requested to reflect the transfer of 5.0 positions from the Department of Public Safety for human resources and information technology consolidation initiatives; retains the ombudsman position in the Office of Regulatory Reform; transfers the cybersecurity director to the Department of Public Safety; and eliminates a vacant position.

Target Issues. The Budget Office provided the Department with a general revenue target of \$272.8 million. The amount includes current service adjustments of \$42.4 million, including \$41.7 million for debt service, \$1.9 million for the restoration of budgeted savings, and an 8.0 percent target reduction totaling \$6.7 million, adjusted for certain exclusions. The request is \$0.2 million more than the current service estimate, reflecting \$2.0 million for new positions, which were offset by additional savings from utilities.

FY 2018 Budget	Budget Office	Department of Administration	Difference
FY 2016 Enacted	\$ 237,083,518	\$ 237,083,518	\$ -
Current Service Adjustments	42,405,910	42,589,540	183,630
New Initiatives	-	(4,239,221)	(4,239,221)
Change to FY 2017 Enacted	\$ 42,405,910	\$ 38,350,319	\$ (4,055,591)
FY 2018 Current Service/ Unconstrained Request	\$ 279,489,428	\$ 275,433,837	\$ (4,055,591)
Target Reduction/Initiatives	(6,719,495)	(1,914,938)	4,804,557
FY 2017 Constrained Target/Request	\$ 272,769,933	\$ 273,518,899	\$ 748,966
Change to FY 2017 Enacted	\$ 35,686,415	\$ 36,435,381	\$ 748,966

The constrained request is \$0.7 million above the target level, reflecting funding for library aid at the enacted level. The proposals to achieve the reductions are noted among the items described below where appropriate. *The recommendation is \$24.7 million less than the target reflecting savings from debt.*

Statewide

Distributed - Operational Savings. The request reflects the removal of budgeted savings; however, they have not yet been achieved or allocated. The enacted budget assumes \$1.9 million in statewide operational general revenue savings, based on the Division of Purchasing and Office of Internal Audit reviewing recent state commodity and deliverable based contracts to ensure that the state has achieved all attainable savings.

The Department indicates that \$1.4 million of the savings will be achieved from reviewing contracts and the remaining \$0.5 million will be from telecommunication expenditures. Vendors for both initiatives have been selected; however, the Department indicates that it needs to obtain more information in order to know how the savings will be allocated to agencies. *The Governor concurs; the budget does not assume the savings being achieved.*

Fraud and Waste Detection. The enacted budget assumes net revenues of \$3.5 million from investing a total of \$1.5 million for annual service agreements and purchasing a fraud and waste data tool that will combine data across agencies including Department of Labor and Training, Department of Revenue and health and human services agencies to detect fraud and waste. A request for proposals was issued in July 2016. A bid has not been awarded; the Department is currently reviewing proposals.

The FY 2018 request assumes expenditure credit of \$3.5 million from fraud and waste detection. It also reflects the removal of \$1.0 million for the one-time purchase of the data tool. It should be noted that the revenue estimate adopted for FY 2018 by the Revenue Estimating Conference in November does not assume this revenue. *The Governor concurs though no information on how this will occur has been provided.*

Workers' Compensation Privatization. The Department proposes to privatize the administration of the Workers' Compensation program, prospectively. Existing claims would be managed by current staff; 14.0 full-time equivalent positions currently administer this program and administrative costs were \$1.8 million in FY 2016. This proposal assumes savings of \$2.5 million from all sources, including \$1.3 million from general revenues. The savings is based on a study that was conducted. The Department further notes that the privatization of the workers' compensation would improve claims adjudication and management, improve return-to-work opportunities for injured employees and use best practices and improved technologies to create an effective and efficient program.

Rhode Island General Laws, Sections 28-31 contain the provisions for the workers' compensation program for state as well as municipal employees. Workers' Compensation is a program that requires employers to carry insurance coverage protecting their employees from loss of earnings and/or medical expenses for any work-related injury or illness. Rhode Island is self-insured and administers its own claims.

The Governor concurs and includes the savings in the Department of Administration's budget for later distribution.

Additional Revenues - Building Code Commission. The Building Code Commission oversees the approval of state projects to ensure they are in compliance with state building codes and are in conformance to Americans with Disabilities Act requirements. Current law allows the Building Code Standards Committee to establish a building permit fee for state projects. The current fee is 1.0 percent of the construction cost; this fee was last increased in 2014 from 0.5 percent. The request assumes additional revenues of \$550,000, reflective of anticipated projects for Quonset and the University of Rhode Island. Based on anticipated workload, the request also includes \$0.4 million to fund 3.0 new chief inspector positions, and is noted later in this analysis. *The November 2016 revenue estimate assumed the additional revenues.*

Purchasing E-Procurement. The request includes general revenue savings of \$350,000 from the implementation of an electronic procurement system. The Department indicates that this solution will deploy an integrated procure-to-pay cycle solution to streamline the end-to-end procurement and purchasing process. This system will be made available to agencies, quasi-public agencies, institutions of higher education and municipalities. The Department indicates that the savings are net of the costs to purchase the software system, which is not budgeted or requested. It subsequently indicates that it is also looking at different payment structures or financing options.

The Governor concurs. It is unclear how this initiative results in savings to the state; it appears that staffing and storage cost efficiencies may be achieved.

Phone Line Conversion Savings. The request includes savings of \$0.3 million, \$0.2 million more than enacted from converting telephone lines. The Information Technology Investment Fund includes total expenditures of \$0.9 million through FY 2020 to purchase technologies needed to convert approximately 3,200 phone lines that are currently leased from Verizon to state owned lines. The current cost to lease each line with the 222 extension is \$119 annually. The proposed plan to switch from leasing to state owned lines started in July 2016 with the Department of Transportation and proceeded with the following buildings: Department of Administration, State House, Department of Health and Department of Elementary and Secondary Education. Half of the savings in the enacted budget has been achieved. *The Governor includes the savings as requested.*

Natural Gas Savings. Consistent with the revised request, the FY 2018 request includes \$0.1 million in undistributed statewide savings from natural gas expenses. This is reflective of a new contract that the state entered into in November 2016 for a period of three years for the procurement of natural gas. The total statewide savings in FY 2018 is \$1.5 million from all sources of funds including \$1.4 million from general revenues. The amount allocated to the Department of Administration is \$1.3 million and is noted later in this analysis. *The Governor concurs; the savings are reflected in agency budgets.*

Staffing Support from Business Regulation. The Department of Business Regulation requires a programmer analyst to support its internal licensing system, which is used by the Securities Division, Commercial Licensing and Racing and Athletics, and the Board of Accountancy and Design Professionals. The Division of Enterprise Technology Strategy and Services filled the position within its authorized level of staffing. The Department notes that the Department of Business Regulation will have exclusive access to the individual for its licensing system. The request assumes use of \$0.1 million from the Department of Business Regulation's budget, which has an offsetting reduction in its budget request. *The Governor maintains this expense in the Department of Business Regulation's budget.*

Local Aid

Library Construction Aid. The Department requests \$2.3 million for library construction aid, \$0.1 million more than enacted to reflect current funding requirements for FY 2018 based on updated cost information, interest rates, and construction schedules for approved projects. 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.

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 2016, it has not received any applications. The Office indicates that it does have a few letters of intent from the following communities: Providence, Narragansett and Jamestown. *The Governor recommends funding as requested.*

Library Aid. The Department requests the enacted amount of \$9.4 million to level fund state support of public libraries. The request is \$0.8 million or 8.8 percent less than allowed under current law. It funds library aid at 22.8 percent of 25.0 percent of the second prior fiscal year's local expenditures for library services. The statute authorizes a 25.0 percent reimbursement subject to appropriation. The Assembly enacted legislation during the 2008 and 2009 sessions to reduce the maintenance of effort requirement for municipalities to provide library services up to 80.0 percent of the previous year's amount. The 2016 Assembly provided an additional \$0.9 million to increase library aid support to municipalities to 23.7 percent.

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.

Of the \$9.4 million for library aid, \$0.7 million is for the Reference Resource Center at the Providence Public Library. The reference resource grant to the Providence Public Library enables the library to develop its reference collection, extend its hours, and provide statewide reference research for all Rhode Island libraries and residents. *The Governor recommends funding as requested.*

Office of Energy Resources

Staffing and 1.0 New FTE. The Department requests \$1.8 million from all sources of funds to support 13.0 full-time equivalent positions in the Office of Energy Resources. This is \$240,499 from federal funds and restricted receipts and 1.0 position more than enacted. Consistent with the revised request, the request includes \$0.1 million to fund a new chief program development position, which the Department indicates has been filled. It also includes \$0.1 million more for updated benefits consistent with the FY 2018 planning values. Consistent with the enacted budget, the request does not assume any turnover savings. As of the last pay period in November 2016, the Office had 12.0 positions filled. *The Governor recommends funding as requested.*

Regional Greenhouse Gas Initiative. The Department requests expenditures of \$9.5 million or \$1.4 million less 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. This reflects anticipated expenditures based on the plan of grant distribution that was adopted in 2016. *The Governor recommends funding as requested.*

Reconciliation Funding. The Office's request includes \$0.2 million in reconciliation funding through the Renewable Energy Growth program for the Distributed Generation Board. Funds will be used to conduct studies or reports that the Board requires. The 2014 Assembly adopted legislation authorizing this funding mechanism for the Board, whereby the Board submits its request to the Public Utilities Commission to review and approve through a docket proceeding. Depending on the Commission's determination, the impact to National Grid customers can be a surcharge of \$0.10 to \$1.00 annually, which would appear on customers' electric and gas bills and is dependent on what the Board requests annually. National Grid then submits payments to the Office of Energy Resources, reflective of actual expenditures for studies or reports.

According to the Office of Energy Resources, this funding request process has been utilized four separate times over the past 15 months to the Public Utilities Commission. However, the Office has not shown the expenditures incurred, because they are for the Board. Based on subsequent guidance from the Budget Office, the expenditures will now be reflected in the budget. *The Governor recommends funding as requested. She also proposes legislation in Article 7 of 2017-H 5175 to exempt these receipts from the state's indirect cost recovery charge. Legislation authorizing the creation of the restricted receipt account would be needed.*

Electric Vehicle Rebate Program. Currently, the Office of Energy Resources administers an electric vehicle rebate program, which provides a rebate of up to \$2,500 for the purchase or lease of new electric vehicles, including battery electric and plug-in hybrids. The Office indicates that a total of \$0.5 million from all sources of funds, including \$0.4 million from restricted receipts, including the Regional Greenhouse Gas Initiative funds, and \$0.1 million of American Electric Power Service Corporation settlement funds from the Office of the Attorney General were made available to seed the program, which

had required federal approval. To be eligible for the rebate, the vehicle must be listed on the Office's vehicle list at the time of purchase or lease, and be a resident with a vehicle registered in the state. The rebates are awarded on a first-come, first-serve basis. The program started in January 2016, and through December 2016, a total of 159 rebates were provided. Currently, \$0.1 million is available from the settlement.

The Governor proposes legislation in Article 19 of 2017-H 5175 to create this program in statute. She recommends \$250,000 from general revenues to continue to fund the program.

Other Expenses. The request includes \$0.4 million from all sources of funds, or \$28,442 more than enacted, including \$32,181 more from federal funds and \$3,739 less from restricted receipts for all other expenditures for the Office. The request includes \$0.2 million or \$53,664 less than enacted for various weatherization grants. This is offset by \$82,106 for other costs, including \$125,000 for undetermined services to be obtained by the Energy Efficiency and Resource Management Council. *The Governor concurs and includes an additional \$295,000 to reflect a new federal grant from the Department of Energy to implement activities relating to building codes and standards, alternative fuels, industrial efficiency, building efficiency, and solar and renewable technologies.*

HealthSource RI

Health Reform Assessment. The request assumes \$6.7 million or \$1.9 million less than enacted from the health reform assessment, reflective of projected enrollments through the exchange. As of November 2016, average enrollments for FY 2017 were: 34,236 in the individual/family group or 1.4 percent less than projected, and 4,382 in the small business group or 69.8 percent below the projection. The 2015 Assembly adopted legislation authorizing the Department of Administration to charge a health reform assessment to support the operations of HealthSource RI. The legislation limits the revenues from the assessment to the amount that would be raised through the federally facilitated marketplace, which is currently 3.5 percent. This percent is then assessed on the total market premiums sold on the state based exchange.

The request is \$0.7 million or 9.8 percent more than the FY 2017 revised projection.

The constrained request assumes a net reduction of \$123,586 for contracted services related to the Small Business Health Options Program. It includes \$263,586 less from general revenues; assuming \$140,000 of this can be allocated to the health reform assessment. As previously noted, these receipts are \$1.9 million less than enacted.

The Governor recommends \$140,000 more than requested. This appears to have been included in error.

Federal Grants - Expired. The request removes the enacted amount of \$1.0 million from federal funds, reflecting the end of federal support for the exchange. The Office had received a total of \$152.1 million in federal funding; \$144.3 million has been spent and the FY 2017 revised request assumes that the Office will obtain a no cost extension to use the remaining funds. The extension was granted. *The Governor recommends funding as requested.*

Other Expenses. The Department requests \$2.8 million from all sources, including the enacted amount of \$2.6 million from general revenues for all other expenses. The request includes \$13,648 less from federal funds, reflective of staff time dedicated to the State Innovation Models Initiative, which involves several other state agencies for the development and testing of a state-based model for multi-payer medical claim payments. *The Governor recommends funding as requested.*

Debt

38 Studios. Consistent with the current service estimate, the Department requests \$12.4 million to reflect the total debt service due in FY 2018 relating to 38 Studios. This is \$9.9 million more than included in the enacted budget, which reflected a settlement received in 2015. Settlements received are deposited into the Capital Reserve Fund net of attorney fees, which can ultimately be used to reduce the state's contribution. It should be noted that in the fall of 2016, the Commerce Corporation received \$23.3 million for two settlements. In early February 2017, the Corporation reached another settlement, the details of which are still not clear. It is likely no state payment would be needed until FY 2020 or FY 2021. Debt service payments are made in November and May of each year. The Administration indicates that it could pay off some of the debt early or use the settlement to pay the debt over the next couple of years.

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 recommendation assumes that debt service relating to 38 Studios will be paid with settlement funds that the Commerce Corporation received.

Convention Center Authority. The request includes \$21.6 million from general revenues for debt service for the Convention Center Authority. This is \$0.9 million less than enacted and is consistent with the current service estimate to reflect savings from a refinancing that occurred in 2015. Under the terms of the lease agreement between the state and the Authority, the minimum rentals payable to the state in any fiscal year are equal to the gross debt service costs in that year; the state is responsible for covering any operating shortfalls and recoups any operating profits. *The Governor recommends funding as requested.*

Historic Structures Tax Credit. Consistent with the current service estimate, the request includes \$31.1 million from general revenues to fund debt service costs for debt issued to pay for historic tax credits. This is \$0.1 million more than enacted and is consistent with the current service estimate to cover expected credits. The debt comes from the 2008 Assembly's legislation, which significantly modified 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. *The Governor recommends funding as requested.*

Restructured General Obligation Bonds. Consistent with the current service estimate, the request includes \$120.4 million or \$37.6 million more than enacted to adjust for limited savings from the restructuring of general obligation bonds that occurred in July 2015.

Governor Raimondo's FY 2016 budget recommendation included a restructuring of general obligation bond debt, where principal payments are deferred and/or shortened to provide additional savings in particular years. The FY 2016 budget includes savings of \$64.5 million in FY 2016, with anticipated FY 2017 savings of \$19.4 million; actual savings were \$16.3 million more than assumed. The state's debt service will increase by an average of \$12.0 million per year from FY 2019 to FY 2026.

The Governor recommends \$98.2 million from all sources, including \$56.9 million from general revenues. This is \$22.3 million less than requested, including \$15.7 million from general revenues reflective of a delay in the issuance of new debt and refunding certain other outstanding debt.

Other Debt. The Department requests \$35.3 million from all funds for all other debt service costs. This is \$5.0 million less from general revenues than enacted and is consistent with the current service estimate. Reductions include \$3.0 million from the Shepard Building lease payment, \$0.3 million from the Department of Labor and Training's Center General, and \$1.6 million less from Certificates of Participation for technology and energy conservation related projects. The request includes the enacted amount of \$0.5 million for the I-195 land acquisition project, \$47.9 million for the Department of Transportation's debt service 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 \$0.5 million less from all funds than requested. This includes \$150,000 more for I-195 relocation debt, reflective of updated debt service and the removal of \$0.6 million from other sources for the Department of Labor and Training's Center General as that debt has been defeased.

Capital Asset Management and Maintenance

New Senior Staff (4.0 FTE). The Department requests \$0.7 million from general revenues to fund four new senior level positions in the new Division of Capital Asset Management and Maintenance. The positions consist of a chief engineer, a chief planner, a chief of integrated facilities management and a chief of strategic planning, monitoring and evaluation. The FY 2017 recommended budget included funding for the positions; however, the Assembly did not concur and removed the funding as well as the staffing authorization. All of the positions are currently filled. *The Governor recommends funding as requested; the positions are being filled from the Department's current authorization.*

Other Salaries and Benefits. The Department requests \$13.8 million from all funds to support the authorized level of 132.5 full-time equivalent positions for the Division of Capital Asset Management and Maintenance. This is \$0.7 million or 5.6 percent more than enacted, including \$0.5 million more from general revenues. The request is \$0.3 million more than the current service estimate to primarily reflect the restoration of turnover savings for which the enacted budget assumed \$1.3 million. As of the last pay period in November 2016, the Department had 26 vacancies, which is equivalent to a vacancy rate of 19.6 percent. The request includes \$0.1 million more than enacted to reflect updated benefit costs. Consistent with the revised request, the request includes \$36,000 more for overtime, for which the enacted budget included \$400,000 and FY 2016 reported expenditures were \$475,723.

The constrained request assumes an additional \$1.0 million in turnover savings from all funds, including \$0.9 million from general revenues. Though this is the enacted level of turnover savings assumed, the Department indicates that the Division is undertaking an expanded role in asset management and that this level of turnover savings would not allow it to properly perform its tasks.

The Governor concurs with the unconstrained request, with the exception of providing \$64,301 less from general revenues to reflect statewide benefit savings.

Utilities. The Department projects utility costs of \$16.4 million from all funds for FY 2018, including \$13.8 million from general revenues at state buildings under its jurisdiction, including the Pastore Campus. The projection is consistent with FY 2016 reported and FY 2017 anticipated expenditures. It is \$1.8 million less than enacted, including natural gas savings of \$1.3 million. This reflects a new contract that the state entered into in November 2016 for a period of three years for the procurement of natural gas. All other expenditures for electricity, oil and sewage are \$0.5 million less than enacted, based on decreased consumption and usage. It includes the enacted amount of \$1.7 million for water. *The Governor recommends funding as requested.*

Building Repairs and Maintenance. The Department requests \$4.1 million from all sources of funds, including \$3.5 million from general revenues for repair and maintenance costs of buildings under the jurisdiction of the Division of Capital Asset Management and Maintenance. This is \$0.3 million more than enacted, including \$0.4 million more from general revenues, partially offset by \$0.1 million less from all other sources. It includes \$112,500 more for snow removal and \$95,600 for waste disposal, reflective of increased commercial tipping fees. The Department indicates that the vendor will likely pass this increase on to the state. Expenditures for building maintenance, including general repairs, painting, elevators and heating, ventilation and air conditioning are \$0.1 million more than enacted and are consistent with the revised request. They are \$0.4 million more than reported expenditures for FY 2016. The Department attributed the increase over actual expenditures to now performing maintenance of group homes previously under the purview of the Department of Children, Youth and Families and the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. *The Governor recommends funding as requested.*

Insurance Claim for Facilities Repair. Consistent with the revised request, the Department requests \$0.7 million, or \$0.3 million more than enacted from restricted receipts to reflect insurance claim receipts received to repair various facilities. At the end of FY 2016, the Department had \$1.1 million available from these receipts. Reported expenditures were \$0.8 million in FY 2016 and \$0.7 million in FY 2015. *The Governor recommends funding as requested.*

Other Expenses. The Department requests \$5.7 million from all funds, including \$4.8 million from general revenues for all other expenditures for the Division of Capital Asset Management and Maintenance. This is \$23,477 less than enacted, including \$131,801 less from general revenues, offset by \$108,324 more from federal, restricted and other sources. Expenditures for the operations of the central power plant are projected to be \$250,000 more than enacted and account for almost 50 percent of the request; 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. This increase is offset by savings from property insurance and janitorial supplies. *The Governor recommends funding as requested.*

Enterprise Technology Strategy and Services

Cybersecurity. In May 2015, Governor Raimondo issued an executive order to establish a Cybersecurity Commission, consisting of 15 members from various state agencies and the private sector. The Commission was tasked with: creating a framework for coordinated response, simulation testing, conducting an assessment of the current cybersecurity workforce development and education activities in the state, including curricula, certificates, and training credits offered and developing an inventory of existing businesses in the cybersecurity industry within the state. The enacted budget included \$0.8 million from general revenues to fund a Cybersecurity Unit within the Department of Administration. This includes \$0.3 million in funding for a director of cybersecurity position as well as funding for consultants and providing cybersecurity training for employees. As of January 2017, the position has not been filled.

The Governor recommends transferring the director of cybersecurity position from the Department of Administration to the Department of Public Safety during FY 2017. Her recommendation for FY 2018 includes \$779,714 for the position and related costs in the Department of Public Safety's budget.

Salaries and Benefits. The Department requests expenditures of \$25.7 million from all funds, including \$17.1 million from general revenues to fund 193.0 full-time equivalent positions in the Division of Information Technology. This is \$0.6 million more, including \$0.5 million from general revenues and 1.5 fewer positions than enacted. The request is \$0.4 million more than the current service estimate; restoring \$0.3 million of turnover savings for which the enacted budget assumed \$1.3 million. It also assumes \$0.1 million less from other sources for positions that were allocated to the Unified Health Infrastructure Project, as the project is currently operational. As of the last pay period in December 2016, the Division had 15.5 full-time equivalent positions vacant. *The Governor concurs and adds \$0.2 million for the transfer of a*

position from the Department of Public Safety to continue the consolidation of information technology services.

Software Maintenance Agreements. The Department's request includes \$2.7 million from all sources, including \$2.2 million from general revenues for various software maintenance agreements. This is \$0.3 million more than enacted, including \$223,186 from general revenues and is consistent with the revised request. The Department indicates that these agreements were not funded in the enacted budget; however, such funding does not appear to have been requested at the time. It appears that the original request inadvertently omitted some of the expenditures. The FY 2018 request is \$349,120 more than FY 2016 reported expenditures.

The constrained request shifts a total of \$0.4 million of the expenditures from general revenues to the Information Technology Investment Fund, including \$0.2 million each from the Division of Enterprise Technology Strategy and Services and the Division of Human Resources. This is an allowable use of the fund. *The Governor concurs with the constrained request.*

Information Technology Investment Fund. The Department requests \$9.0 million or \$50,000 more than enacted from the Information Technology Investment Fund. This fund was created by the 2011 Assembly for acquiring information technology improvements, including, but not limited to, hardware, software, and ongoing maintenance. At the end of FY 2016, the Department had \$26.9 million in available resources. It submitted a capital budget request, which assumes use of \$22.7 million in FY 2017, reflecting funding for various projects that the Department did not incur expenses for in FY 2016. This includes the \$4.9 million for the Unified Health Infrastructure Project. The plan submitted is inconsistent with the budget request. It assumes expenditures of \$7.7 million in FY 2018, which is \$1.3 million less than the current request. *The Governor recommends an additional \$0.6 million to reflect the Department's proposal to allow additional expenditures for software maintenance.*

Other Expenses. The Department requests \$4.8 million from all sources of funds for all other expenses in the Division of Enterprise Technology Strategy and Services. This is \$65,184 less than enacted, including \$1,548 less from general revenues. The request includes increases for internet services, information technology support and maintenance of various equipment such as copy machines, offset by savings from telephone and travel. The request is \$0.2 million or 3.4 percent less than the FY 2017 revised request; however, it is \$0.3 million more than FY 2016 reported expenditures. *The Governor recommends funding as requested.*

Human Resources

Personnel Classification and Compensation Study. The request includes the enacted amount of \$250,000 for implementation of the Personnel Classification and Compensation Study. This brings total funding to \$1.5 million. 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 Administration indicates that the vendor has submitted its recommendation for classification of job descriptions, which the Administration is in the process of reviewing. The vendor is currently working on the compensation component of the study, which the Administration notes should be completed by this fall. The enacted budget includes \$250,000 to obtain services for implementation of the study once it is completed, but \$388,428 of unspent funds from FY 2016 were reappropriated to FY 2017. *The Governor recommends funding as requested.*

Reorganization and 4.0 New Positions. 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 would be dedicated to establishing strategic direction and developing policies. The Department filled that position in December 2013.

The revised budget reflects the reorganization of the Division of Human Resources into two functional areas; corporate and service centers. The request includes \$0.6 million from all sources, including \$0.5 million from general revenues to fund four new positions: an executive director to provide strategic leadership, an administrative officer, a human resources analyst and a director of recruitment. The Department anticipates filling the positions in January 2017; the revised budget includes \$0.3 million to fund the positions. It indicates that the Human Resources Division is being reorganized to reduce “centralized paper-based processing and increase direct human resources to agencies.” *The Governor concurs and provides an additional \$30,000 for staff training initiatives, consistent with the revised recommendation.*

Other Salaries and Benefits. The Department requests \$10.5 million from all sources of funds, including \$7.4 million from general revenues to support the authorized level of 95.8 full-time equivalent positions. This is \$0.3 million more than enacted, including \$0.1 million less from general revenues, offset by \$0.4 million more from federal, restricted and other funds, reflective of anticipated interagency billings. A vendor is currently developing the service rate that the division charges user agencies. The request includes benefit rates consistent with FY 2018 planning values. It also assumes \$0.3 million less in turnover savings than enacted. As of the last pay period in November 2016, the Division had 85.8 positions filled, with a vacancy rate of 14.2 percent.

The Governor concurs and includes an additional \$0.4 million from general revenues to reflect the transfer of 4.0 positions from the Department of Public Safety to continue the consolidation of human resource services.

Time, Attendance, Leave and Scheduling System. The Department requests expenditures of \$0.3 million from all sources, including \$0.2 million from general revenues for software maintenance costs of the Time, Attendance, Leave and Scheduling System. The system will eventually allow all agencies to collect time and attendance data over the Internet and other devices. The Department indicates that this system will replace the numerous manual paper, spreadsheets, and databases. Implementation of the system is currently being done in phases: phase I includes the following Departments: Administration, Corrections, Environmental Management and Behavioral Healthcare, Developmental Disabilities and Hospitals. This phase will include a disability tracking system; the Department anticipates an implementation date of August 2017 for phase I. Subsequent phases will include other state agencies and commissions. The total project cost is \$4.0 million, which is being funded by the Information Technology Investment Fund. Through FY 2016, \$0.3 million has been spent; the FY 2017 budget assumes use of \$3.7 million.

The constrained request shifts the software maintenance cost to the Information Technology Investment Fund. This is an allowable use of the Fund; however, the Department indicates that this method will not allow it to recover \$0.1 million of non-general revenue funds, as part of its billed service model. *The Governor concurs with constrained request.*

Other Expenses. The Department requests \$0.3 million or \$9,861 less than enacted for all other expenses for the Division of Human Resources. This includes savings of \$52,975 from general revenues, including \$15,000 from postage, reflective of FY 2016 expenditures. Based on its billed service model, the Department also allocated \$32,733 from general revenues to other sources for annual costs associated with the state’s on-line recruiting software subscription. User agencies will be billed for usage of the software. *The Governor recommends funding as requested.*

Purchasing

Staffing and 1.0 New Position. The Department requests \$3.2 million from all sources, including \$3.0 million from general revenues to fund salary and benefit costs for 31.0 positions in the Division of Purchasing. This is \$0.2 million and 1.0 position more than enacted. The request includes \$0.1 million to fund a new administrator position, which the Department indicates is currently filled. It includes \$37,227 for updated benefits, consistent with FY 2018 planning values. The request restores \$0.1 million of turnover savings. As of the last pay period in November 2016, the Division had two vacancies. *The Governor recommends \$16,199 less from general revenues than requested to reflect statewide benefit savings.*

Operating Expenses. The request includes \$0.1 million from general revenues, or \$7,335 less than enacted for operating costs, reflecting anticipated expenditures for a lease cost payment for a vehicle that the Division purchased in 2014. The request includes the enacted amount of \$15,000 for outside legal services to examine the Division of Purchasing's procedures and regulations. The Department indicates that continued examination is needed in order to reduce the number of protests, reissuing procurements, cancellations and change orders. *The Governor recommends funding as requested.*

Office of Management and Budget

Small Business Ombudsman Position to Commerce. The request reflects the transfer of the small business enforcement ombudsman position from the Office of Regulatory Reform to the Executive Office of Commerce. The ombudsman is charged with implementing the provisions of the Small Business Regulatory Fairness and Administrative Procedures contained in Rhode Island General Laws, Section 42-35.1-1. Current law requires that this position be designated by the director of the Office of Regulatory Reform. *The Governor retains the position in the Office of Regulatory Reform, consistent with current law.*

State Agency Rules and Regulations. The enacted budget includes \$0.7 million from general revenues in the Secretary of State's budget to revise the State's Administrative Procedures Act to create an online, indexed and searchable Code of State Regulations that will also record the intermediate steps in the process, not just the final rules and regulations adopted as currently recorded. This project is in conjunction with the state's Office of Regulatory Reform. *The Governor shifts \$0.2 million from the Secretary of State's budget to the Office of Regulatory Reform to obtain contracted legal services for the review of state regulations.*

Office of Regulatory Reform - Staffing and Operations. The Department requests \$0.8 million from general revenues for all other staffing and operating costs for the Office of Regulatory Reform. This is \$0.3 million more than enacted and is consistent with the FY 2017 revised request. Expenditures for salaries and benefits are \$291,930 more than enacted, including \$0.1 million for a new senior economic and policy intern position, which the Department indicates is currently filled. It includes \$38,129 for a policy intern; approximately \$40,000 to convert an implementation aide position to a senior economist position and the remaining \$0.1 million is to upgrade the remaining three positions in the Office. It should be noted that the Governor included funding for the personnel upgrade as part of her FY 2016 revised and FY 2017 budget requests; however, the Assembly did not concur and removed the funding. The Department indicates that the positions have already been upgraded. The FY 2017 enacted budget assumed staffing of 5.0 positions; as of the last pay period in November, the Office had 6.0 full-time equivalent positions filled.

It also includes new expenditures of \$16,931 from general revenues for a software licensing fee for staff in the Office to have access to a modeling system to generate analyses for the Revenue Estimating Conference; it is unclear why.

The Governor recommends \$862 less than requested to reflect statewide benefit savings.

New Senior Economic and Policy Analysts (2.0 FTE). The request includes \$235,886 from general revenues to fund 2.0 new economic and policy positions in the Office of Performance Management. The Department indicates that the positions are requested in order to increase the scope and frequency of performance management. The additional staff will analyze departmental performance data and provide management support to agencies. The Department included funding for these positions as part of its FY 2017 budget request; however, the Assembly did not concur and removed the funding. It appears that both positions have been filled. *The Governor recommends funding as requested.*

Lean Initiatives. Consistent with the revised request, the request includes new expenditures of \$100,000 from general revenues to fund lean process improvement projects to improve operational efficiency. The Department has not provided a list of projects for the new funds. The request also reflects the removal of \$55,000 in one-time funding from the Rhode Island Foundation to help build lean capacity among state employees for strategic business process reviews. The Department subsequently submitted a list of 33 potential projects based on feedback it indicates that it received from departments, the business community and other entities. They include contracting processing at the Department of Children, Youth and Families, state food licensing, brewery licensing, vital record request mail process and others.

The constrained request removes the funding. *The Governor concurs with the constrained request.*

Transition Employment Grant. The enacted budget includes \$500,000 from general revenues to fund a Pay for Success Pilot program, which is intended to increase employment and reduce recidivism of formerly incarcerated individuals. The Department indicates that it has issued the request for proposals and it hopes to have a service provider on board in February 2017.

The FY 2018 request includes the enacted amount for the continuation of the program. The Department indicates that going forward additional funding will be needed; the request for proposals calls for a 6-month pilot program plus three and a half years of full-scale service delivery. The Department indicates that it intends to test assumptions about the target population prior to launching the full project, with a targeted population of 200 individuals per year.

The constrained budget reduces the request by \$100,000. This level of funding would serve 160 individuals. *The Governor concurs with the constrained request and recommends \$400,000 from general revenues.*

Office of Internal Audit. The Department requests expenditures of \$4.3 million from all sources of funds for staffing and operating costs of the Office of Internal Audit, which was consolidated as part of the FY 2017 enacted budget in order to increase efficiency and decrease fraud and waste. Various positions were transferred from the Departments of Transportation, Human Services, the Office of Postsecondary Commissioner and the University of Rhode Island to effectuate this. The request includes \$3.9 million to fund 33.0 full-time equivalent positions, two positions more than authorized. The request is \$0.3 million more than enacted, including \$24,408 less from general revenues, offset \$0.3 million from other funds to primarily fund two new positions; a principal data analyst and a data analyst. They will be supported by Department of Transportation sources. This is reflective of anticipated workload for auditing construction and design vendors.

As part of the enacted budget, a total of ten positions were transferred from the Department of Human Services; they were primarily eligibility technicians. The request reflects the conversion of six eligibility technicians to internal auditors. The Department indicates that certain skill sets are needed to “effectively work with the new fraud detection system.” The request reflects the reclassification of the positions and are assumed to cost less, since the incumbents had longevity.

The request includes the enacted amount of \$300,000 from restricted receipts for the auditing of quasi-public corporations, which current law allows the Chief of the Bureau of Audits to charge a reasonable cost.

All other expenses are \$10,377 less than enacted reflecting anticipated expenditures for staff training and mileage reimbursement. This is consistent with the revised request. *The Governor recommends \$11,862 less than requested to reflect statewide benefit savings.*

Other Staffing and Operations. The Department requests \$4.1 million from general revenues, or \$27,484 less than enacted for all other staffing and operating costs associated with the following offices: Director, Grants Management and Performance Management. Salary and benefit costs are \$48,902 less than enacted; however, it includes \$34,112 for updated benefits, consistent with FY 2018 planning values, offset by \$0.1 million in turnover savings, primarily in the Budget Office. Operating expenditures reflect an increase of \$21,418, reflective of anticipated expenditures for software licensing agreements and travel costs. *The Governor recommends \$16,637 less than requested to reflect statewide benefit savings.*

Construction Permitting, Approvals and Licensing

New Building Code Positions (3.0 FTE). The Department requests \$0.4 million from general revenues to fund three new positions for the Building Code Commission. The positions consist of chief inspectors of plumbing and mechanical, building codes, and electrical. It should be noted that the Commission does not have a current backlog. However, the new positions are requested in anticipation of increased workload for projects at Quonset Point and the University of Rhode Island. The request assumes that the positions will be filled in January 2017; the revised request includes \$0.2 million for partial year funding. The Department indicates that the additional revenues from permitting these projects will offset the costs of the new positions. *The Governor recommends funding as requested; however, she increases the staffing authorization for this division by 2.0 full-time equivalent positions. The other position would be filled within the Division's current authorization.*

Other Staffing and Operations. The request includes \$3.3 million from general revenues and restricted receipts to support the Fire Code and Appeal Board, Contractors' Registration Board and the State Building Code Commission. This is \$25,204 less than enacted, including \$22,554 less from general revenues. Salary and benefit costs are \$57,966 more than enacted, including \$13,962 for updated benefits, consistent with FY 2018 planning values. The request includes approximately \$45,000 to upgrade three positions in the Building Code Commission and it assumes the enacted turnover savings of \$0.1 million. As of the last pay period in November 2016, the Division had two vacancies.

The request includes \$0.3 million or \$83,170 less for operating costs. This reflects the removal of \$115,000 for printing of code books, which are revised every three years and it adds \$30,000 for software maintenance costs of the Electronic Local Permitting System. *The Governor recommends \$9,926 less than requested to reflect statewide benefit savings.*

Other Programs

OPEB Administration. Governmental entities are required to include as part of their financial statements the unfunded liability of post-employment benefits other than retirement benefits, which are already included. This generally refers to retiree health benefits and is referred to as OPEB in state law. Pursuant to Rhode Island General Law, Section 36-12.1-15, a restricted receipt account is established to pay for administrative expenses of the OPEB Board and to maintain the OPEB system. Based on current law calculation, this cost is limited to 0.25 percent of the five-year average of investments or \$269,668 for FY 2018. The request assumes expenditures of \$225,000, including \$50,000 for legal services, \$75,000 for staff time allocated to the Board and \$100,000 for actuarial services for a valuation, which is conducted every three years. *The Governor recommends funding as requested.*

Labor Contracts Negotiations. The request includes \$0.2 million from general revenues, \$0.1 million more than enacted for labor contract negotiation costs. Most state employee contracts will expire on June

30, 2017. Reported expenditures in FY 2016 were \$0.3 million, \$0.2 million above the final appropriation. *The Governor recommends funding as requested.*

RIPTA Operating Support. The request reflects the removal of \$0.9 million for one-time expenditures for operating support for the Rhode Island Public Transit Authority. *The Governor concurs.*

All Other Salaries and Benefits. The Department requests \$14.4 million from all sources of funds, including \$11.7 million from general revenues for salary and benefit costs to support the authorized level of 126.6 full-time equivalent positions in the following programs: Central Management, Legal Services, Personnel Appeal Board, Accounts and Control, Library and Information Services, and the Office of Diversity, Equity and Opportunity. The request is \$0.4 million more than enacted, including \$0.1 million more from general revenues and is \$22,233 more than the current service estimate. Staffing in Planning reflects more staff time allocated to Federal Highway Administration projects based on an approved work plan. The request also includes \$0.1 million to partially fund a position in the Office of the Governor, which the Department indicates is providing direction and working on various initiatives at the Department. The request assumes the enacted amount of \$0.4 million in turnover savings.

The Governor recommends \$7,739 less than requested to reflect statewide benefit savings.

Interlibrary Delivery System. The Department requests \$0.8 million from all funds for the interlibrary delivery 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 \$53,088 more than enacted, including \$79,105 more from general revenues, offset by \$26,017 less from a potential loss of federal funds. It is \$53,585 more than FY 2016 reported expenditures and is \$32,163 or 4.0 percent more than FY 2017 projected expenditures.

The constrained request reduces general revenue costs by \$0.2 million, provided that the vendor agrees to a reduced number of stops. It should be noted that additional stops are required at schools as new members join the system. In May 2015, the Administration entered into a new contract for delivery services, which increased from \$6.90 to \$24.53 per stop, effective May 1, 2015 through June 30, 2018.

The Governor includes \$53,088, consistent with the unconstrained request.

Disparity Study. The Minority Business Enterprise is responsible for supporting policies to ensure minority participation in state funded and directed construction programs and projects. The Department has issued a request for proposals for a vendor to conduct a disparity study to examine procurement practices of state agencies that purchase goods and services pursuant to the provisions of the State Purchasing Act, to award at least 10.0 percent of its purchasing and construction contract to women and minority based businesses. The study will evaluate the need for the development of programs to enhance the participation in state contracts of business enterprises owned by women and minorities. The time period for the study is from July 1, 2011 through June 30, 2016. Funding for this was not included in the Department's request. *The Governor recommends \$100,000 from general revenues for the study.*

All Other Expenses. The Department requests \$3.6 million from all sources of funds, including \$0.9 million from general revenues for all other operating expenses. This is \$3,545 more than enacted, including \$48,213 more from general revenues, of which \$30,000 is for clerical services as a result of a vacancy in the Office of Legal Services; \$9,400 is for outside legal services for the Personnel Appeal Board, and all other costs are \$8,813 more to reflect adjustments for office supplies, postage and mileage allowance. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$38.9 million from Rhode Island Capital Plan funds for 25 projects. This is \$7.2 million less than enacted and is \$3.2 million less than the capital budget request. *The Governor recommends \$3.3 million less than enacted and \$3.9 million more than requested. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

Department of Business Regulation

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 1,325,909	\$ 1,395,571	\$ 1,752,428	\$ 1,396,420
Banking Regulation	1,868,673	1,811,804	1,939,981	1,893,062
Securities Regulation	1,094,028	989,896	994,400	989,364
Commercial Licensing, Racing & Athletics	2,944,868	3,238,385	2,692,533	2,671,652
Insurance Regulation	5,786,060	5,606,970	5,952,061	5,851,931
Office of the Health Insurance Commissioner	2,561,271	3,470,472	2,800,679	2,735,299
Board of Accountancy	6,000	6,000	6,000	6,000
Boards for Design Professionals	273,080	356,246	363,991	362,455
Total	\$ 15,859,889	\$ 16,875,344	\$ 16,502,073	\$ 15,906,183
Expenditures by Category				
Salaries and Benefits	\$ 11,319,209	\$ 11,893,052	\$ 12,947,524	\$ 12,557,188
Contracted Services	2,620,100	3,094,145	2,109,707	2,226,213
Subtotal	\$ 13,939,309	\$ 14,987,197	\$ 15,057,231	\$ 14,783,401
Other State Operations	626,842	655,371	1,326,104	1,004,044
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	80,000	80,000	80,000	80,000
Capital	1,213,738	1,152,776	38,738	38,738
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 15,859,889	\$ 16,875,344	\$ 16,502,073	\$ 15,906,183
Sources of Funds				
General Revenue	\$ 10,583,452	\$ 10,621,228	\$ 12,464,003	\$ 11,115,093
Federal Aid	1,100,710	2,011,396	356,461	892,213
Restricted Receipts	4,175,727	4,242,720	3,681,609	3,898,877
Other	-	-	-	-
Total	\$ 15,859,889	\$ 16,875,344	\$ 16,502,073	\$ 15,906,183
FTE Authorization	97.0	106.0	106.0	106.0
FTE Average				

Summary. The Department of Business Regulation requests FY 2018 expenditures of \$16.5 million from all funds, including \$12.5 million from general revenues. The request is \$0.6 million more than enacted, including \$1.9 million more from general revenues, \$0.7 million less from federal funds, and \$0.5 million less from restricted receipts. The Department requests 106.0 full-time equivalent positions, 9.0 more than the authorized level.

The Office also submitted a constrained request that totals \$9.8 million from general revenues, which is \$2.7 million less than the unconstrained request.

The Governor recommends \$15.9 million from all funds, including \$11.1 million from general revenues and 106.0 full-time equivalent positions. The recommendation is \$0.6 million less than requested, including \$1.3 million less from general revenues.

Target Issues. The Budget Office provided the Department of Business Regulation with a general revenue target of \$9.8 million. The amount includes current service adjustments of \$84,674 and an 8.0 percent target reduction of \$0.9 million.

The constrained budget submitted by the agency is \$42,036 below the target. In order to meet the target, the Department proposes the elimination of 14.0 positions, including 10.0 from the Division of Insurance Regulation and 4.0 from the Division of Banking Regulation; the Office requests restoration of positions for these divisions in its revised FY 2017 request citing a critical level of understaffing. The Department also proposes a \$1.1 million reduction to the Office of the Health Insurance Commissioner and elimination of its request for the Office of Business Climate Improvement. The proposals to achieve the reductions are noted among the following items, described where appropriate. *The Governor's recommendation is \$1.3 million above the target.*

FY 2018 Budget	Budget Office		DBR	Difference		
FY 2017 Enacted	\$	10,583,452	\$	10,583,452	\$	-
Current Service Adjustments		84,674		1,023,872		939,198
New Initiatives		-		856,679		856,679
Change to FY 2017 Enacted	\$	84,674	\$	1,880,551	\$	1,795,877
FY 2018 Current Service/Unconstrained Request	\$	10,668,126	\$	12,464,003	\$	1,795,877
Target Reduction/Initiatives		(853,450)		(2,691,363)		(1,837,913)
FY 2018 Constrained Target/Request	\$	9,814,676	\$	9,772,640	\$	(42,036)
Change to FY 2017 Enacted	\$	(768,776)	\$	(810,812)	\$	(42,036)

Staffing. Consistent with its revised request, the Department's FY 2018 request includes 106.0 full-time equivalent positions, which is nine more than the enacted authorization. The 2016 Assembly reduced the number of authorized positions by six existing vacancies; it did not remove funding, but did assume \$0.3 million in turnover savings. The Department requests restoration of the six vacancies, and 4.0 additional positions, offset by a transfer to the Department of Administration. The restored positions are reallocated among the other programs.

The Department is currently lacking an accreditation in the banking division and reports to be at risk for losing an accreditation in the insurance division. The budget represents the Department's needs to achieve a staffing level consistent with these goals. The Department reports new recruitment and hiring practices have resulted in significant gains in qualified candidates, and ability to fill positions. *The Governor recommends \$0.4 million more than the enacted for the requested level of staffing; however, eliminates two unfunded associate director of planning, policy and regulation positions from the Office of the Health Insurance Commissioner, and transfers two health economics specialists to the Office from the Department of Health.*

OHIC - Rate Review Activities. The Department requests \$33,024, which is \$0.9 million less than enacted from federal funds for all rate review staffing and operations. The rate review activities were funded from three grants which were all slated to expire September 30, 2016; however, the Office reports receiving a no cost extension on two of the three grants through September 30, 2017.

The request adds \$32,307 for a comparative interstate analysis of premiums to appropriately disclose the marginal value of the insurance products available regionally, and to ensure that insurance products are compliant with both state and federal benefit mandates to expose potentially discriminatory policies. The original FY 2017 request anticipated the grant expiring September 18, 2016, with no funds allocated after that date; the request is reflective of carryover funds accessible as a result of the extension. Position funding

from the grant was eliminated; staffing changes are described in other areas where appropriate. *The Governor recommends funding as requested.*

OHIC - State Innovation Models. The Office requests \$323,437 from federal funds for staffing and operations supported by the State Innovation Models grant. The Office is a co-prime recipient of the State Innovation Models grant through January 2019. The grant is intended to identify effective strategies to actively engage patients in their healthcare choices, develop outcome measures, build insurer-specific price transparency tools to allow both providers and consumers to better understand the cost and price variation of health care, link provider practices with the communities, and be a critical and effective partner to improve population health, and to transform the health care delivery system.

The request is \$156,678 more than enacted, and includes salaries and benefits costs for 2.0 full-time equivalent positions, 1.0 more than enacted. *The Governor recommends \$11,313 less than requested to reflect current staffing and statewide benefit savings.*

OHIC - Health Insurance Enforcement Grant. Subsequent to the Department's budget submission, the Office was awarded a new federal Health Insurance Enforcement and Consumer Protection grant to implement and enhance policy form review, conduct market examinations and analysis, and investigate consumer complaints. *Consistent with the revised recommendation, the Governor recommends \$0.5 million from federal funds for this initiative, including \$0.4 million for salaries and benefits for 3.0 positions authorized, but not funded in the request.*

OHIC - Health Care Utilization Review. The Office of Managed Care Regulation at the Department of Health administers a certification process, investigates complaints and conducts on-site surveys and investigations to determine health agencies compliance with state laws, rules and regulations. The Department bills the agencies on a monthly basis for these activities. The receipts are deposited into a restricted receipt account for operations of the program. The Department's FY 2018 request includes \$0.2 million from restricted receipts to support two positions to administer the program.

Concurrently, the Office of the Health Insurance Commissioner reviews denial of benefits and accuracy of claims processing and is also responsible for the adequacy of network coverage in terms of access to and availability of providers and the continuity of care available to consumers.

The Governor proposes legislation to transfer the oversight of health care utilization review from the Department of Health to the Office of the Health Insurance Commissioner. The Budget reflects the transfer of funding and staffing of 2.0 full-time equivalent positions to the Office.

OHIC - Other Staffing and Operations. The Office of the Health Insurance Commissioner requests \$2.4 million from all funds, which is \$1.0 million more than enacted from general revenues for all other expenses. This includes \$1.0 million more for salaries and benefits for 11.0 full-time equivalent positions. The request also includes \$575,000 to fund the consumer assistance program, the Rhode Island Resource, Education, and Assistance Consumer Helpline, \$10,000 more than enacted. The 2016 Assembly provided \$0.5 million for three positions, and \$0.3 million to support a portion of positions funded through federal grant funds set to expire September 2016. The Office reports that the increase in general revenues represents shifting the formerly grant funded positions to state support.

The Department's constrained request is \$1.1 million less which excludes the new funding request and further reduces staffing and operating expenses.

The Governor recommends \$0.8 million less than requested from general revenues, eliminating two vacant positions and funding three positions by a new federal grant, as noted earlier. She includes helpline funding as requested.

Medical Marijuana Regulation. The Department requests \$0.9 million, \$0.6 million less than enacted from restricted receipts for medical marijuana licensing staffing and operations. The request includes \$0.2 million more for salaries and benefits representing full-year funding for the authorized 4.0 full-time equivalent positions. The request also includes \$0.4 million for office operations and \$25,000 for technology purchases. The request excludes the \$1.2 million provided in the enacted budget for the one-time expenditure for the division's licensing and registration system.

The anticipated staffing for the department reflects full-year funding for 4.0 positions; the program was launched in FY 2017 and had no operational funding in the enacted budget. *The Governor recommends funding as requested, and includes Section 1 of Article 7, which proposes to annually transfer to state general revenues any remaining balances from medical marijuana receipts collected by the Department of Business Regulation and the Department of Health. The Budget assumes transfers of \$0.3 million and \$0.7 million in FY 2017 and FY 2018, respectively, though these revenues may be overstated.*

Office of Business Climate Improvement. Consistent with the revised request, the Department requests \$0.3 million from general revenues for salaries and benefits to create a new Office of Business Climate Improvement to streamline business development processes. The Office will be staffed by 2.0 existing full-time equivalent positions in other agency budgets, one in the Commerce Corporation and the Small Business Ombudsman in the Office of Regulatory Reform. The Department's request maintains the positions within the original agencies, the requested funds are reimbursements to those agencies for services rendered.

The intent of the Office is to further the improvement of the state's business climate through the advocacy of high quality, well-administered regulatory services through the identification of unnecessary bureaucratic requirements of state approval and permitting requirements which have not yet been specified. The goals of the Office are enhanced customer service, increased e-governance processes and expedited permit and licensure procedures. The Department's request identifies geographic separation of these positions as a barrier to the advancement of an improved business climate.

The Office has noted that the Ombudsman has new responsibilities, as a result the Office is increasing the Ombudsman's wage by \$9,140 by requesting a position change through the budget process. The Department reports the Ombudsman's job duties expanded when a memorandum of understanding was signed between the Office of Regulatory Reform and Commerce RI in September 2015. Compared to the duties in statute, the greatest change in scope is to act as the intermediary helping navigate small businesses through the state's regulatory process, doing process mapping for the permitting processes, and identifying and improving inefficiencies and redundancies. No other employee been identified.

The Department's constrained request excludes this funding.

The Governor does not recommend this initiative.

IT Programmer to DOA (1.0 FTE). The Department requests \$0.1 million less than enacted from general revenues to transfer 1.0 full-time equivalent position to the Department of Administration. The Department's e-licensing system was previously maintained by an in-house Department employee no longer employed by the Department. It is an information technology position and the Department has deemed it appropriate to reassign the position to the Department of Administration's Division of Information Technology. *The Governor includes the requested transfer.*

Banking Regulation Staffing (2.0 FTE). The Department requests \$1.9 million from general revenues for salary and benefit costs for 16.0 full-time equivalent positions, which is \$71,308 more than enacted to restore turnover savings equal to 2.0 full-time equivalent positions assumed in the enacted budget. The request fully funds all 16.0 full-time equivalent positions through available funds from staffing changes.

The Banking Regulation division is responsible for regulating, monitoring and examining a variety of financial institutions. Annual examinations are performed to determine financial solvency and compliance with Rhode Island Banking Laws and Regulations for the protection of depositors and the public interest. The Division also enforces statutes relating to maximum interest charges and state usury laws and conducts administrative hearings when required.

As part of its constrained request, the Department proposes \$0.4 million in general revenue savings from the elimination of 4.0 positions from this Division; the Department reports that these positions are revenue generating and the state would realize a \$0.1 million net loss as a result.

The Governor recommends \$24,389 more than enacted from general revenues. This is \$46,919 less than requested, and includes \$9,504 in statewide benefit savings. The recommendation assumes at least one position will be vacant for a portion of the year.

Insurance Regulation Staffing (3.0 FTE). The Department requests \$4.3 million from all sources for salary and benefit costs for 36.0 full-time equivalent positions, which is \$0.2 million more than enacted and includes the restoration of turnover savings equal to 3.0 full-time equivalent positions. The request includes \$4.0 million from general revenues, which is \$0.1 million more than enacted, and \$0.2 million from restricted receipts.

The Department has been accredited by the National Association of Insurance Commissioners (NAIC) since 1993. The Department reports the current staffing level does not allow it to meet its statutory requirement to examine each domestic insurer once every five years, which presents a risk to its accreditation; if the Division loses its accreditation domestic insurers may be subject to other state examinations, and the costs associated, which may lead to relocation to other accredited states.

The Department's constrained request proposes \$0.9 million in general revenue savings from the elimination of 10.0 positions, but reports that this would result in a corresponding net loss of \$0.2 million of revenue for the state.

The Governor recommends \$65,871 more than the enacted, from all fund sources, including \$31,942 from general revenues. The recommendation includes \$19,408 in statewide benefit savings, and assumes one position will be vacant for a portion of the year.

Commercial Licensing, Gaming and Athletics (3.0 FTE). The Department requests \$1.6 million from all funds for salary and benefit costs for the Division's remaining 15.8 full-time equivalent positions, which is \$0.4 million more than enacted from all sources and includes 3.0 new full-time equivalent positions. The request includes \$0.9 million from general revenues, \$0.3 million more than enacted, and \$0.7 million from restricted receipts, \$84,690 more than enacted.

The request reflects a full year of funding, salary increases, and filling positions at higher than anticipated salaries based on interdepartmental movement. The Department reports that it allocates staff within the divisions according to business need; this Division was previously staffed at a significantly lower level. All Division positions are currently filled.

The Governor recommends \$339,521 more than enacted from all funds, including \$254,831 more from general revenues. The recommendation is \$20,881 less than requested which funds the new positions, includes \$4,292 in statewide benefit savings and assumes one position will be vacant for a portion of the year.

Other Salaries and Benefits (2.0 FTE). The Department requests \$2.5 million from general revenues to fully fund the salary and benefit costs for the remaining 21.2 full-time equivalent positions within divisions not previously discussed. This is \$0.1 million more than enacted and reflects current service adjustments.

The request includes \$90,911 more for the Boards for Design Professionals reflecting a newly allocated full-time equivalent position, \$61,304 more for Central Management, and \$99,628 less for Securities Regulation reflecting the reallocation of a position, shifting a previously authorized position to other divisions, and transferring funding for a programmer position to the Department of Administration. The additional staff for the Boards is to address excess licensure wait times, consistent with the Department's strategic plan.

The Governor recommends \$0.1 million more than enacted from general revenues. The recommendation is \$37,586 less than requested, including \$12,545 in statewide benefit savings and assumes one position will be vacant for a portion of the year.

Actuarial Services for Rate Review Filings. The request includes the enacted amount of \$1.5 million for the costs of actuaries for the Insurance Regulation program. The Department contracts with several vendors and the contracts include a 10.0 percent inflator each year and are in effect through June 30, 2017. The Department indicates that the inflator reflects increasingly more complex rate filings, and a larger volume of reviews. The Department is statutorily required to review insurers' rate filings 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 ten times more than FY 2017 reported expenditures and expenses through the first quarter of the fiscal year totaled \$0.1 million. The Department reports that it requests the maximum amount available under each contract for each fiscal year, as the actuarial costs are paid directly by the corporations whose fees the Department researches and regulates. *The Governor recommends funding as requested.*

Other Operations. Consistent with the Department's FY 2017 revised request, the Department requests \$0.4 million, which is \$40,215 more than enacted from general revenues for all other departmental operations. This includes \$27,300 more for security services and \$12,915 more Microsoft Office licenses excluded from the Department's original FY 2017 operating request. *The Governor recommends funding essentially consistent with the request.*

Executive Office of Commerce

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Executive Office of Commerce	\$ 1,200,198	\$ 1,255,549	\$ 1,384,211	\$ 1,363,714
Housing & Community Development	23,158,132	23,630,764	23,281,934	22,692,415
Quasi-Public Appropriations	13,156,714	12,717,513	14,491,018	15,586,714
Commerce Programs	5,000,000	3,500,000	18,280,000	3,300,000
Economic Development Initiative Funds	36,900,000	38,400,000	69,200,000	33,850,000
Total	\$ 79,415,044	\$ 79,503,826	\$ 126,637,163	\$ 76,792,843
Expenditures by Category				
Salaries and Benefits	\$ 2,326,349	\$ 2,467,370	\$ 2,616,616	\$ 2,614,378
Contracted Services	60,000	-	-	-
Subtotal	\$ 2,386,349	\$ 2,467,370	\$ 2,616,616	\$ 2,614,378
Other State Operations	101,981	117,739	159,529	159,119
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	23,020,000	22,298,954	23,020,000	22,429,382
Capital	1,300,000	753,933	1,315,000	2,903,250
Capital Debt Service	-	-	-	-
Operating Transfers	52,606,714	53,865,830	99,526,018	48,686,714
Total	\$ 79,415,044	\$ 79,503,826	\$ 126,637,163	\$ 76,792,843
Sources of Funds				
General Revenue	\$ 55,574,117	\$ 55,735,212	\$ 102,664,387	\$ 51,842,819
Federal Aid	17,790,927	18,266,931	17,922,776	17,890,642
Restricted Receipts	4,750,000	4,750,000	4,750,000	4,159,382
Other	1,300,000	751,683	1,300,000	2,900,000
Total	\$ 79,415,044	\$ 79,503,826	\$ 126,637,163	\$ 76,792,843
FTE Authorization	16.0	16.0	18.0	17.0

Summary. The Executive Office of Commerce requests total expenditures of \$126.6 million for FY 2018, including \$102.7 million from general revenues, \$17.9 million from federal funds, \$4.8 million from restricted receipts, and \$1.3 million from other sources. The request is \$47.2 million more than the enacted budget, including \$47.1 million more from general revenues. The Office requests 18.0 full-time equivalent positions, 2.0 more than authorized.

The Office also submitted a constrained request that totals \$35.8 million from general revenues, which is \$66.8 million less than the unconstrained request.

The Governor recommends \$76.8 million, including \$51.8 million from general revenues and staffing of 17.0 full-time equivalent positions, one more than the authorized level. The recommendation is \$49.8 million less than requested.

Target Issues. The Budget Office provided the Office with a general revenue target of \$35.8 million. The amount includes current service reductions of \$18.4 million and an 8.0 percent target reduction of \$1.4 million.

The constrained request submitted by the Office is \$10,248 above the target, achieved by reducing or eliminating new and existing economic development initiatives. The proposals to achieve the reductions are noted among the following items, where appropriate. *The Governor's recommendation is \$16.0 million above the target.*

FY 2018 Budget	Budget Office	Exec. Office of Commerce	Difference
FY 2017 Enacted	\$ 55,574,117	\$ 55,574,117	\$ -
Current Service Adjustments	(18,388,095)	(18,353,935)	34,160
New Initiatives		65,444,205	65,444,205
<i>Change to FY 2017 Enacted</i>	<i>\$ (18,388,095)</i>	<i>\$ 47,090,270</i>	<i>\$ 65,478,365</i>
FY 2018 Current Service/Unconstrained Request	\$ 37,186,022	\$ 102,664,387	\$ 65,478,365
Target Reduction/Initiatives	(1,374,882)	(66,842,999)	(65,468,117)
FY 2018 Constrained Target/Request	\$ 35,811,140	\$ 35,821,388	\$ 10,248
<i>Change to FY 2017 Enacted</i>	<i>\$ (19,762,977)</i>	<i>\$ (19,752,729)</i>	<i>\$ 10,248</i>

I-195 Redevelopment Project Fund. The Office requests a new \$25.0 million from general revenues for real estate development incentives for construction on former I-195 land. The 2015 Assembly created the I-195 Redevelopment Project Fund, to be administered by the I-195 District Commission to provide developers and businesses with financing for capital investment, including land acquisition in order to promote the development of the land. The FY 2016 enacted budget allocated \$25.0 million from general revenues to the Fund. There was no funding in the FY 2017 enacted budget as the FY 2016 funds are available until exhausted or the program ends. The Commission approved an agreement at the December 2016 Commission meeting committing \$19.5 million of the Fund to Wexford Science and Technology and CV Properties, the only claim on the Fund as of that date. This proposal would bring the total Fund to \$50.0 million, with \$30.5 million unencumbered.

The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for funding or incentives after that date.

The Office's constrained budget excludes this request.

The Governor recommends \$10.1 million from general revenues to bring total funding to \$35.1 million for this initiative, \$14.9 million less than requested.

Rebuild Rhode Island Tax Credit. The Office requests \$26.0 million for the Rebuild Rhode Island Tax Credit program, which establishes a real estate development tax credit for qualified construction. The enacted budget included \$25.0 million, and the FY 2016 budget included \$1.0 million, to provide funding for tax credits to be redeemed over time. The 2016 Assembly capped the total amount of credits awarded under the program at \$150.0 million. Credits valued between 20.0 and 30.0 percent of qualified project costs up to a maximum of \$15.0 million are available to projects that have demonstrated a gap between available funding and total estimated project cost.

Projects that include historical structures, affordable housing, public transit, and other factors may receive increased credits, at the discretion of the Commerce Corporation. Beginning in FY 2017, the Corporation and the Division of Taxation will report annually on credits assigned, credits taken, and the measurable impacts of the program. No credits will be assigned to any projects after December 31, 2018. The Office reported that as of December 2016, the Commerce Corporation had received 30 applications for over \$100

million in credits under the Rebuild Rhode Island program; 15 projects were approved, valued at \$37.0 million. The state has already set aside \$26.0 million to begin to repay those credits.

The Office's constrained budget reduces the request by \$12.2 million. It should be noted that the program has existing tax credits obligated to awardees totaling \$37.0 million through FY 2022, including \$8.4 million in the budget year. *The Governor recommends \$20.0 million to support future payments, \$6.0 million less than requested, which brings total funding to \$46.0 million.*

Anchor Institution Tax Credit. The 2015 and 2016 Assemblies provided a total of \$1.5 million for the Anchor Institution Tax Credit program; no credits have been awarded to date. The Office requests \$0.5 million from general revenues to provide additional resources to the program; the request is \$0.2 million less than enacted. The Anchor Institution Tax Credit program establishes a credit of an unspecified amount that may be applied against corporate income tax liability for up to five years. The credit is available to qualifying businesses that have successfully solicited the relocation of a separate business to the state or the relocation of at least ten employees of that separate business on a permanent basis. No more than 75.0 percent of the total funds allowed for the program in a fiscal year may be assigned to a single recipient. The program will sunset on December 31, 2018; no credits will be assigned to any projects after that date.

The Office's constrained budget excludes this request. *The Governor does not recommend additional funding for this initiative.*

Air Service Development Fund. The Office requests \$1.5 million from general revenues to provide direct financial incentives, revenue guarantees, and/or other support to match a like amount provided in the FY 2017 enacted budget for the Air Service Development Fund to incentivize additional direct air service to and from major metropolitan areas via T.F. Green Airport. These funds would be used in conjunction with the \$1.5 million allocated in FY 2017, for a total of \$3.0 million to be committed across both fiscal years to secure current and expand additional air service routes.

The Commerce Corporation Board of Directors approved the membership of the Air Service Development Council, the body authorized to enter into contracts and provide incentives to air carriers, in October of 2016. The Council consists of the Secretary of Commerce, who serves as the Council's chair, and four other members; the remaining members should include one with airport management or air carrier experience, one representative from a chamber of commerce, and at least one representative from a business with more than 100 employees located in Rhode Island. Employees of the Rhode Island Airport Corporation are excluded from consideration from the council.

The Office's constrained budget excludes this request. *The Governor recommends \$0.5 million to bring total funding to \$2.0 million. This is \$1.0 million less than requested.*

Industry Cluster Grants. The Office's request includes the enacted amount of \$0.5 million for the Industry Cluster program to provide Rhode Island businesses with 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. The FY 2016 and FY 2017 enacted budgets provided \$0.8 million and \$0.5 million respectively, totaling of \$1.3 million. The request is to provide additional resources to the program; it has awarded \$0.8 million as of December 2016.

These grants became available in November 2015; as of the close of FY 2016 the program had distributed \$748,640 of grant funds against \$764,255 of matching resources to seven awardees. As of December 13, 2016 the Corporation reports having awarded an additional \$85,000 to one recipient.

The Office's constrained budget excludes this request. *The Governor does not include additional funding for this initiative.*

First Wave Closing Fund. The Office requests \$10.0 million from general revenues to increase available resources for the First Wave Closing Fund. The FY 2016 and FY 2017 enacted budgets provided \$5.0 million and \$7.0 million respectively, totaling \$12.0 million in resources; \$0.9 million has been awarded to date. The fund was enacted in 2015 to provide financing to ensure that certain transactions that are critical to the state's economy occur, subject to the Commerce Corporation's Board approval. The funds can be used for working capital, equipment, furnishings, fixtures, construction, rehabilitation, purchase of property, or other purposes approved by the Corporation. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for financing after that date.

The Office reported one award of \$200,000 against a total project cost of \$2.1 million in FY 2016; as of December 2016 the Corporation has approved one award of \$650,000, to be deployed in two phases based on verification of expenditures, phase one includes \$150,000, with the potential to increase the credit by \$0.5 million by meeting specified contingencies.

The Office's constrained budget reduces this request by \$8.0 million. *The Governor does not include additional funding for this initiative for FY 2018, but does provide \$1.5 million more as part of her FY 2017 revised budget.*

Wavemaker Fellowships. The Office requests the \$4.5 million, which is \$1.0 million more than enacted from general revenues for a student loan repayment tax credit program for graduates of accredited institutions of higher education who receive an associate's, bachelor's or master's degree and who remain in, become a resident of, and are employed within the state in the fields of life, natural or environmental sciences; computer, information or software technology; engineering or industrial design; and medicine or medical device technology. The request reflects increased demand for FY 2018 consistent with interest in the program at its launch.

The Corporation awarded 215 Fellowships at a cost of \$1.7 million in FY 2016. The amount of the tax credit is up to a maximum of \$1,000 for an associate's degree, \$4,000 for a bachelor's degree and \$6,000 for a graduate degree for up to four years. The legislation requires that the Commerce Corporation reserve 70.0 percent of the awards per calendar year to permanent residents of the state. It also requires that recipients must work at least 35 hours per week for an employer located in the state, which is defined as having at least 51.0 percent of its employees located in the state.

The constrained budget reduces the request to \$3.0 million, \$1.5 million less than the unconstrained request.

The Governor recommends \$1.6 million, based on current estimated need. She also reduces FY 2017 enacted funding by \$1.5 million for the same reason.

Innovation Initiative. The Office requests \$2.0 million from general revenues for the Innovation Initiative voucher program based on excess demand for the program. The FY 2016 and FY 2017 enacted budgets provided \$1.0 million and \$1.5 million respectively, totaling \$2.5 million with \$0.7 million awarded against it as of December 2016; the request to provide additional resources is \$0.5 million more than the enacted budget. As enacted by the 2015 Assembly, the Innovation Initiative for small businesses is for companies with less than 500 employees. Its purpose is to facilitate the purchase of research and development support from the state's institutions of higher education and other providers through vouchers ranging from \$5,000 to \$50,000 per business.

The Office reports three times the excess demand for the program than was available in FY 2016; there were 11 awards totaling \$461,897 against \$270,500 in leveraged funding for total project costs of \$712,397. The program was originally enacted in FY 2016 at \$0.5 million, the appropriation was increased by \$0.5 million each in the FY 2016 revised request, and the FY 2017 request. The Office reports that it anticipates

awarding 30 vouchers in FY 2017 and FY 2018 if funded at the requested level. The Corporation reports that it has awarded an additional six vouchers for a total of \$279,368 as of December 12, 2016.

The Office's constrained request includes only the enacted level of \$1.5 million.

The Governor recommends \$2.5 million for this initiative, \$0.5 million more than requested. The Governor also proposes legislation to expand the eligible uses of these vouchers to include research and development for and by small business manufacturers and requires the Commerce Corporation to reserve up to \$1.0 million for this purpose.

Main Street Streetscape Improvement Fund. The Office requests the enacted amount of \$1.0 million from general revenues for streetscape improvements. The Commerce Corporation is authorized 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 Office's constrained budget excludes this request.

The Governor recommends funding as requested.

Municipal Technical Assistance Fund. Subsequent to its budget submission, the Office proposed to establish a fund to provide technical assistance to municipalities to evaluate and streamline municipal zoning, planning and permitting codes to foster economic development. The program would be administered by the Commerce Corporation. *The Governor recommends \$250,000 from general revenues, and includes Section 4 of Article 2 of 2017-H 5175 to establish the fund and includes a sunset date of December 31, 2019. This would require an application through the Commerce Corporation.*

P-Tech Initiative. The Office requests the enacted amount of \$1.2 million from general revenues for the High School, College, and Employer Partnerships program, which supports 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. The legislation requires that the Corporation annually report the amount of grants and matching funds awarded. The program sunsets on December 31, 2018.

Documents supporting the Office's FY 2017 request noted the requested funds would provide funding to the three districts selected for FY 2016 funding Newport, Providence, and Westerly, and extend funding to three more districts in FY 2017 for the 2017/2018 school year. In November and December 2016, the Board approved two additional districts North Providence and Woonsocket. Additionally, the Office and Corporation report that up to \$59,000 would be spent on Corporation staff salary and benefit expenses for program administration in the current year and FY 2018.

The Office's constrained request proposes reducing funding to \$0.5 million. *The Governor recommends the enacted level of \$1.2 million.*

Affordable Housing Fund. The Office's request includes \$3.0 million in new funding from general revenues for the Affordable Housing Fund, administered by Rhode Island Housing, which will leverage federal resources and private equity for the program.

The requested funds are intended to increase the state's housing stock, including efforts to leverage other funding sources and retain talent through the Ocean State Grad Grant. The Grad Grant was established by Rhode Island Housing utilizing its own funding in September 2015, to leverage additional federal funds. The Governor's budget recommendation included \$1.0 million from general revenues; the 2016 Assembly did not concur. The FY 2016 enacted budget included \$3.0 million for the Fund.

The constrained request excludes funding for the program.

The Governor does not recommend the funding requested.

Tourism and Marketing. The Corporation's FY 2018 budget assumes the use of \$4.5 million from redirected occupancy tax collections to continue funding its tourism and marketing campaign consistent with the enacted budget. The Corporation has redesigned its strategy utilizing less traditional sources, leveraging a data driven, social networking and targeted internet approach to achieve a more measurable and cost effective campaign to draw interest in the state. The Corporation installed a new Chief Marketing Office to lead the campaign in July, and contracted a new vendor for the tourism website in November. In the current year, the Corporation anticipates spending \$3.4 million on programmatic expenses, \$0.6 million on staff, \$0.2 million on advisory services and \$29,888 on operating expenses; it also anticipates a similar distribution of funding for FY 2018 but at a higher level depending on available hotel tax proceeds. *The Governor concurs.*

Impact Faculty. The Office requests \$5.0 million from general revenues for a new program to establish a fund for five endowed chairs at state universities. The request includes support for the recruitment of five faculty members with research experience that develops into new commercial ventures and employment, as well as research equipment, activities, and graduate student funding. The program would be administered by the Commerce Corporation. The Impact Faculty program was recommended in the Governor's FY 2017 budget at a total of \$2.8 million, but the 2016 Assembly did not approve the program.

The Office's constrained request reduces funding to \$1.0 million to launch the program. *The Governor does not recommend this initiative.*

Research and Development Tax Credit. The Office requests \$5.0 million from general revenues for a new program to develop a refundable research and development tax credit program. The state has an existing non-refundable tax credit program valued up to 50.0 percent of a company's tax liability which the Office claims is inaccessible to smaller firms. The new program is intended to be accessible to, and create incentives for, smaller firms to expand innovation activities and attract out-of-state business to consider relocating new or existing research and development activities to Rhode Island. As proposed, the refundable credit would amount to the lesser of the business's municipal tax liability associated with the investment, or \$0.2 million. The Governor's FY 2017 recommended budget included this initiative, but it was not enacted.

The request is intended to expand an existing research and development tax credit to include a fully refundable option not to exceed \$200,000 annually to encourage innovation activities and recruit new or existing companies to locate in Rhode Island for these activities.

The Office's constrained request excludes this proposal.

The Governor's budget includes Section 2 of Article 2 of 2017-H 5175 to establish a refundable tax credit for qualifying business capital investments. The credit is the lesser of \$200,000 or the employer's state tax liabilities for the year. The budget treats this as a \$3.3 million revenue reduction, but it appears the intent is to appropriate general revenues to a fund similar to other recent tax credits.

Job Training Tax Credit. The Office requests \$2.0 million from general revenues for a new program to expand the existing job training tax credit to include an additional credit up to \$0.2 million to expand job training activities. The state has an existing non-refundable tax credit program valued up to 50.0 percent of a company's tax liability which the Office claims is inaccessible to smaller firms. The new program is intended to be accessible to, and create incentives for, smaller firms to expand job training activities in

Rhode Island. As proposed the refundable credit would amount to the lesser of the business's municipal tax liability associated with the investment or \$0.2 million.

The request is intended to expand an existing job training tax credit to include a fully refundable option not to exceed \$200,000 annually to encourage job training activities at new or existing small companies.

The Office's constrained request excludes this proposal.

The Governor's budget includes Section 3 of Article 2 of 2017-H 5175 to establish a refundable tax credit for qualifying job training investments. The credit is the lesser of \$200,000 or the employer's state tax liabilities for the year. The budget treats this as a revenue reduction, but it appears the intent is to appropriate general revenues to a fund similar to other recent tax credits.

Inventor's Initiative. The Office requests \$250,000 from general revenues for a new initiative to increase the number of patent issuance rates through, but not limited to, educational programs, competitive awards, and staff support; specific plans have not been enumerated. *The Governor did not recommend this initiative.*

Tax Stabilization Agreements. The Office requests \$30,000 from general revenues for the Tax Stabilization Incentive program. This program allows the state to incentivize municipalities to enter into tax stabilization agreements with developers in exchange for the development or redevelopment of specific areas in qualifying communities. The Commerce Corporation is empowered to provide qualifying municipalities with reimbursements up to 10.0 percent of property tax revenues that would have otherwise been collected, if the developed property were not party to a tax stabilization agreement. The Office reports these funds support reimbursements for a hotel project occurring at 111 Fountain Street in Providence. No agreement with a municipality may be entered into after December 31, 2018.

The Governor proposed legislation with her FY 2017 budget to permit funds appropriated for Rebuild Rhode Island tax credits to be used by the Commerce Corporation to fund tax stabilization incentives. She also submitted legislation to allow the Corporation to annually reimburse up to five municipalities meeting specific criteria up to 50.0 percent of foregone property tax revenue via a competitive process. The 2016 Assembly rejected enhanced reimbursement legislation and did not include any funding for the program, but did allow for agreements to be funded through Rebuild Rhode Island Tax Credit.

The Office's constrained request is \$10,000 lower for a total \$20,000 of new funding. *The Governor does not include a specific appropriation but program funding is allowable under the Rebuild Rhode Island Tax Credit.*

Commerce Corporation Operations. The Office requests \$8.2 million, which is \$0.8 million more than enacted for the Commerce Corporation's operating budget. The Corporation's FY 2018 request is a 10.9 percent increase over the enacted budget. It includes \$6.3 million to support salary and benefit costs for 47.0 positions, including 3.0 new full-time equivalent positions, and performance and promotional increases; the Corporation reports there is no across the board cost-of-living adjustment for current employees as in previous years. As of December 2016, the Corporation reported it has 4.5 vacant general revenue supported positions. The Corporation's expiring lease agreement would have required a substantial increase; the Corporation opted to relocate to a smaller office in the same complex which yields a small savings. *The Governor recommends \$7.5 million, including \$80,000 more from general revenues, \$0.7 million less than requested.*

I-195 Redevelopment District Commission. The Office's request includes \$1.2 million, which is \$0.4 million more than enacted from all sources for operational needs 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. Under current

law, the Commission is empowered to establish fees at rates necessarily to become self-sufficient. As of December 2016, the Commission does not appear to have developed a plan to do so.

Consistent with its revised request, the request includes funding for four full-time positions at the Commission, two more than is funded in the enacted budget. Current Commission staffing includes an executive director and a project director; the request includes \$0.4 million for the creation of an additional project director position and an administrative assistant. Additionally, the request includes \$132,400 more than the Commission's approved FY 2017 budget for contracted services, including civil engineering, legal, public relation, and land maintenance, offset by \$30,000 in information technology savings. The Commission anticipates the position and the additional legal services will be necessary to meet administrative and legal needs associated with the development of former I-195 land and to assist the Commission board of directors with the administration of the I-195 Redevelopment Fund.

As part of its constrained request the Office reduces the request by \$61,799. *The Governor includes the enacted level of \$0.8 million for this program.*

Chafee Center. The Office requests \$496,200, \$120,000 more than enacted from general revenues for the Chafee Center at Bryant University; this is double the requested funding increase of its FY 2017 revised request. The Chafee Center is the state's designated State International Trade Office; the Office's request is intended to provide additional matching support for its State Trade Expansion Promotion program to increase the value of small and medium business international exports. Rhode Island was awarded \$427,950, with a required match of \$142,650, representing a three to one in federal match funding; the Chafee Center's current appropriation is \$376,200.

The Chafee Center has been funded at this level since FY 2016. The Corporation reports that the returns on the grant funding are reported at ten to one, and that a larger grant award would allow the Center to apply for a larger amount from the Small Business Administration, generating greater economic impact. The Corporation provided documents demonstrating \$3.4 million in actual sales between September 2015 and September 2016 from a total award of \$344,052; with projected sales estimated at \$14.1 million.

As part of its constrained request, the Office eliminates the full \$496,200. *The Governor includes the enacted level of \$376,200 for this program.*

National Security Infrastructure Fund. The National Security Infrastructure Fund was authorized in Chapter 30-32 of the Rhode Island General Laws by the 2005 Assembly, and the Commerce Corporation is the designated administrator. The fund was established to provide grants and loans in support of national security infrastructure and supporting strategies to repurpose surplus defense facilities and properties. In prior years the Assembly appropriated funds to the Newport County Chamber of Commerce to fulfill this role. No funding was provided for FY 2017. *The Governor recommends \$0.2 million for this initiative.*

Polaris Manufacturing Extension Partnership. The enacted budget for the University of Rhode Island includes \$250,000 from general revenues for the Polaris Manufacturing Extension Partnership. Polaris is a Providence-based nonprofit organization and is a division of the University of Rhode Island's Research Foundation. Funding is used to support Polaris' work with Rhode Island manufacturers to design new facility layouts, expand sites, consolidate two or more facilities and incorporate new or specialized equipment into existing processes.

The Governor's budget transfers funding from the University of Rhode Island Research Foundation to the Commerce Corporation and provides additional general revenue funding to bring total state support for this grant to \$550,000.

Small Business Innovation Research. The Office requests the enacted amount of \$1.0 million from general revenues to support the Innovate RI Small Business Fund 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 percent of the amount of the recipient's federal award with a maximum matching grant not to exceed \$45,000.

The Office's constrained request reduces funding by \$0.5 million. *The Governor includes the enacted level of funding.*

Other Pass-Through Initiatives. The Office requests the enacted level of \$2.3 million for several pass-through initiatives that are part of the Commerce Corporation's budget but are not part of its core operations.

The Office's constrained request reduces funding by \$350,000; the proposals to achieve the reductions are noted among the following items, where appropriate. *The Governor includes the enacted level of funding for these initiatives.*

Science and Technology Advisory Council. The Office requests the enacted amount of \$1.2 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. Initially, this was a three-year commitment, which ended in FY 2011; FY 2015 marked the last year of the second five-year commitment. In FY 2015, the Science and Technology Advisory Council indicated it has submitted an application to continue the program, which requires state support for FY 2016 through FY 2020. This is the twelfth installment as a state match to federal grant awards of \$3.0 million per year, totaling \$14.2 million of state funds to date in order to establish a partnership between state government, higher education and industry to effect lasting improvements in research infrastructure and national research and development competitiveness. *The Governor includes the enacted level of funding.*

Airport Impact Aid. The Office requests the enacted amount of \$1.0 million from general revenues passed through to communities that host the state's airports. There are six airports in Rhode Island located in Warwick, New Shoreham, Middletown, Smithfield and Lincoln, North Kingstown, and Westerly. The community payments are made proportionally based on the number of total landings and takeoffs.

Sixty percent of the appropriated funds shall be distributed to each airport serving more than 1.0 million passengers based upon its percentage of the total passengers served by all airports serving more than 1.0 million passengers. The remaining 40.0 percent is distributed to North Central, Newport-Middletown, Block Island, Quonset, T.F. Green and Westerly based on the shares of total takeoffs and landings during calendar 2017. Each airport shall make payment to the cities or towns in which any part of the airport is located within 30 days of receipt of payment from the Corporation and each community shall receive at least \$25,000.

The constrained request reduces the funding to \$0.8 million, \$0.2 million less than enacted. *The Governor includes the enacted level of funding for this program.*

College and University Research Collaborative. The Office requests the enacted amount of \$150,000 for the College and University Research Collaborative to conduct ongoing economic analysis by the state's public and private higher education institutions. The Collaborative leverages expertise at the state's 11 colleges and universities, creating a public/private partnership that operationalizes research. It includes fellows from each partner, research and policy leaders that provide policymakers in Rhode Island with academic research that supports their decision making.

The Office's constrained request eliminates funding. *The Governor includes the enacted level of funding.*

Executive Office

Shared Services Financial Administrator. The Office requests \$120,240, including \$30,060 from general revenues, and \$90,180 from federal funds for a financial administrator with responsibilities in both the Executive Office of Commerce and the Office of Housing and Community Development to assume duties currently being performed by the Department of Administration. The request is consistent with the Office's revised FY 2017 request. The cost to the Executive Office is 25.0 percent of the position, with Housing and Community Development responsible for the remaining 75.0 percent. *The Governor recommends funding as requested.*

Small Business Ombudsman. The Office requests \$139,519 from general revenues, to reallocate the authorization for the Small Business Ombudsman from the Office of Regulatory Reform to the Executive Office of Commerce. The Office is seeking to establish an Office of Business Climate Improvement, within its subordinate agency the Department of Business Regulation, staffed by the Ombudsman and an additional unnamed member of the Commerce Corporation; the Commerce Corporation also falls under the purview of the Executive Office. The Executive Office's request is to allocate the Ombudsman's authorization within the Executive Office, the Ombudsman would then be assigned to the Department of Business Regulation in order to streamline and otherwise facilitate the regulatory environment within the state. *The Governor does not recommend this initiative.*

Other Staffing and Operations. The Office requests \$1.2 million, \$14,434 more than enacted from general revenues, for its staffing and operational expenses. This includes \$63,114 less than enacted for salary and benefit costs for the remaining 5.0 full-time equivalent positions to reflect current staffing and assumes no turnover savings. The request includes an additional \$77,548 more for all other operations consistent with its revised FY 2017 relocation request. This includes \$75,000 for a full year of rent at 315 Iron Horse Way. It also includes changes to operating expenses that result in a \$2,548 increase.

The Governor recommends \$119,022 more than requested including \$141,148 more for salaries and benefits. This includes \$0.1 million for half the cost of a Governor's Office employee now being charged to the Executive Office and \$42,531 more for salaries and benefits consistent with current staffing. Other operations are \$22,126 less than requested, which includes rent essentially as requested and adjustments to other operating expenses.

Housing and Community Development Staffing. The Office requests \$1.3 million for salaries and benefits for 11.0 full-time equivalent positions, exclusive of the shared services position, in the Division of Housing and Community Development. This is \$0.1 million more than enacted from all funds and 1.0 position more than the authorized level. The request includes \$8,047 less from general revenues and \$0.1 million more from federal funds, including a new federally funded principal planner position. The position will be supported through federal Community Development Block grant sources to perform administrative functions for its federally funded programs.

The Governor recommends \$3,867 less than requested from all sources, including \$28,267 more from general revenues and \$32,134 less from federal funds. The recommendation reflects a reallocation between fund sources for staffing charges as an employee returns from leave.

Housing and Community Development Programs. The Office requests \$17.2 million from all sources for other Housing and Community Development program expenses. This includes \$15.0 million from federal community development block grants, which is \$60,000 less than enacted to reflect anticipated grant awards. The request includes the enacted amount of \$2.1 million from federal emergency shelter grant

programs under the Consolidated Homeless Housing Fund, and the enacted level of \$10,590 from general revenues for other operating expenses.

The Governor recommends \$55,034 less than enacted from all sources and \$4,966 more than requested to reflect available grant funds and FY 2016 actual spending.

Lead Abatement and Housing Rental Subsidies. The Office requests the enacted amount \$4.8 million from restricted receipts in support of Lead Abatement and 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 2015 Assembly further amended the statutes to essentially extend the real estate conveyance tax and its existing distribution of proceeds to the sale of a controlling interest in a business entity that holds interest in the property.

Using the November 2016 Revenue Estimating Conference estimate that the state General Fund will receive \$11.6 million from the tax for FY 2017 and \$12.5 million for FY 2018, it can be estimated that \$3.3 million will be available for the current year and \$3.4 million will be available in FY 2018.

The Governor proposes legislation to centralize lead poisoning prevention, transferring \$0.6 million from the Housing Resources Commission to consolidate funding for the Lead Poisoning Prevention Program at the Department of Health. The Governor's proposal amends the Real Estate Conveyance Tax to allow the Department of Health to receive 5 cents of the 30 cents that the Housing Resources Commission currently receives.

Capital Projects. The Office requests the enacted amount from Rhode Island Capital Plan funds, including \$1.0 million for the Quonset Business Park improvements to Pier 2 and \$0.3 million for the I-195 Commission.

The Governor recommends \$2.9 million, \$1.6 million more than requested from Rhode Island Capital Plan funds, primarily to reflect an updated project timeline for the Quonset Piers project. These projects are described more fully in the Capital Section of this publication.

Department of Labor and Training

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 2,554,448	\$ 2,518,406	\$ 1,952,604	\$ 1,951,919
Workforce Development Services	36,864,600	55,646,182	34,751,523	34,751,523
Workforce Regulation and Safety	2,825,411	2,813,335	3,783,983	3,468,398
Income Support	368,318,420	374,621,921	379,365,763	379,112,413
Injured Workers Services	8,552,358	8,580,397	8,701,434	8,701,434
Labor Relations Board	402,491	404,549	399,104	397,335
Total	\$ 419,517,728	\$ 444,584,790	\$ 428,954,411	\$ 428,383,022
Expenditures by Category				
Salaries and Benefits	\$ 39,540,030	\$ 42,500,030	\$ 41,914,454	\$ 41,292,442
Contracted Services	5,758,808	8,150,577	4,910,484	4,887,318
Subtotal	\$ 45,298,838	\$ 50,650,607	\$ 46,824,938	\$ 46,179,760
Other State Operations	4,476,159	4,527,850	4,274,148	4,285,819
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	361,582,771	375,487,872	367,441,119	367,441,119
Capital	2,012,606	2,413,185	1,131,945	1,191,286
Capital Debt Service	-	-	-	-
Operating Transfers	6,147,354	11,505,276	9,282,261	9,285,038
Total	\$ 419,517,728	\$ 444,584,790	\$ 428,954,411	\$ 428,383,022
Sources of Funds				
General Revenue	\$ 8,212,636	\$ 8,139,796	\$ 9,068,355	\$ 8,751,313
Federal Aid	38,451,580	49,186,947	35,713,950	35,459,683
Restricted Receipts	23,585,123	29,710,613	24,090,443	24,090,443
Other	349,268,389	357,547,434	360,081,663	360,081,583
Total	\$ 419,517,728	\$ 444,584,790	\$ 428,954,411	\$ 428,383,022
FTE Authorization	409.5	436.2	436.2	433.7

Summary. The Department requests \$429.0 million from all fund sources, which is \$9.4 million more than enacted, including \$0.9 million more from general revenues, \$2.7 million less from federal funds, \$0.5 million more from restricted receipts and \$10.8 million more from other funds. The request includes 436.2 full-time equivalent positions, or 26.7 more than the enacted authorization.

The Governor recommends \$428.4 million from all sources, including \$8.8 million from general revenues. This is \$0.6 million less than requested from all funds including \$0.3 million less from general revenues. She recommends 433.7 positions, or 2.5 less than her revised budget and the agency's request, which is attributed to the retirements of 1.0 Board of Review position and a 0.5 legal counsel position as well as the elimination of a position.

Target Issues. The Budget Office provided the Department with a general revenue target of \$7.6 million. The amount includes current service adjustments of \$31,100 and an 8.0 percent target reduction of \$0.7

million. The Department's constrained budget is \$1.2 million above the target. *The Governor's budget is \$1.2 million above the target.*

FY 2018 Budget	Budget Office		DLT	Difference		
FY 2017 Enacted	\$	8,212,636	\$	8,212,636	\$	-
Current Service Adjustments		31,100		(75,206)		(106,306)
New Initiatives		-		930,925		930,925
Change to FY 2017 Enacted	\$	31,100	\$	855,719	\$	824,619
FY 2018 Current Service/ Unconstrained Request	\$	8,243,736	\$	9,068,355	\$	824,619
Target Reduction/Initiatives		(659,499)		(326,692)		332,807
FY 2018 Constrained Target/Request	\$	7,584,237	\$	8,741,663	\$	1,157,426
Change to FY 2017 Enacted	\$	(628,399)	\$	529,027	\$	1,157,426

Staffing. Consistent with its FY 2017 revised request, the Department's FY 2018 request includes 26.7 more full-time equivalent positions than authorized for a total of 436.2. The increases are in various programs both existing and new as shown in the table below and are described elsewhere in the analysis. The Department has filled many of these positions by leaving other authorized positions vacant within the injured workers and workforce development services program.

FY 2018 Requested New Positions			
	General		
	FTE	Revenues	All Funds
Workplace Regulation and Safety	4.0	\$ 245,729	\$ 400,737
Integrity and Compliance Unit	2.0		218,397
Real Jobs Rhode Island	1.0		95,602
Governor's Workforce Board	1.0		144,966
Public Relations	1.0	11,521	115,211
Hearing Unit	1.5	177,715	177,715
State Workforce & Ed. Alignment Project	1.0		113,483
Learn, Earn, Advance and Prosper	1.0		117,351
Unemployment Insurance	14.2		1,735,545
Total	26.7	\$ 434,965	\$ 3,119,007

Agency wide, the request includes \$14.9 million for salaries and benefits. This is \$2.4 million more than enacted and \$1.4 million less than the revised request. The revised request uses \$2.0 million in one-time Reed Act funding for staffing costs. These funds were historically available to the Department to use for operating expenses; beginning in FY 2010, the Department had to use the funds to pay unemployment insurance benefits after the Unemployment Insurance Trust Fund became insolvent. Under the Social Security Act, the primary purpose of Reed Act funds is the payment of cash benefits. However, a state is permitted at its discretion, to use Reed Act funds for the administration of its unemployment compensation law and public employment offices. The Department notes that since the Unemployment Insurance Trust Fund has become solvent, it is requesting restoration of these funds to support its unemployment insurance operations.

The FY 2018 request would fund approximately 418 positions, or 18 fewer than the total authorization requested and 13 fewer than requested as part of the FY 2017 revised request. The Department has indicated that if it were to reach the staffing level requested in its FY 2017 revised request, it would absorb the reduction through attrition or layoffs if necessary. As of the pay period ending on January 7, 2017, the Department had 404.7 filled positions. The positions listed in the table above and described in the analysis are identified as new by the Department; however, it appears that the Department is restructuring the sources and uses based on its needs and available funding sources.

FTEs by Program	FY 2017 Enacted	FY 2018 Request	Chg. to Enacted	FY 2018 Governor	Chg. to Request
Central Management	3.0	6.1	3.1	6.1	-
Workforce Development Services	126.4	116.7	(9.7)	116.7	-
Workforce Regulation and Safety	22.8	34.3	11.5	34.3	-
Income Support	216.7	232.6	15.9	230.1	(2.5)
Injured Workers Services	39.1	44.5	5.4	44.5	-
Labor Relations Board	2.0	2.0	-	2.0	-
FTE reconciliation	(0.5)		0.5		-
Total	409.5	436.2	26.7	433.7	(2.5)

The Governor recommends 433.7 positions, or 2.5 less than her revised budget and the agency's request. This includes the retirements of 1.0 Board of Review position and a 0.5 legal counsel position as well as the elimination of a position in the unemployment insurance and temporary disability insurance division's Board of Review. The expenditure recommendation would fund approximately 413 positions. The Governor's budget includes general revenue statewide benefit savings of \$4,979, but does not include any savings from positions funded from non-general revenue sources which would be approximately \$0.2 million from all sources.

Workplace Regulation and Safety Positions (4.0 FTE). Consistent with its FY 2017 revised request, the Department requests \$0.4 million from all funds for 4.0 new full-time equivalent positions for the workplace regulation and safety division. The request includes \$0.2 million from general revenues and \$0.2 million from restricted receipts. The Department notes that in order to meet the demands of the caseloads regarding workplace fraud, the Department hired 3.0 labor standards examiners supported with general revenues and restricted receipt funding in FY 2016 by using other vacancies within its overall authorization. It also hired 1.0 interpreting interviewer (Spanish) in August 2016 to provide a higher level of customer service to this population. None of these positions were requested as part of the FY 2017 budget. *The Governor recommends staffing as requested and \$2,359 less from general revenues to reflect statewide benefit savings.*

Integrity and Compliance Unit Positions (2.0 FTE). Consistent with its FY 2017 revised request, the Department requests \$0.2 million from federal funds for 2.0 new full-time equivalent positions for the fraud and compliance unit. The Department notes that the integrity and compliance unit was developed after a finding from the United States Department of Labor cited a lack of required grant monitoring. Therefore, one investigative auditor and one senior monitoring and evaluation specialist were hired in July 2016 to augment existing staff to fulfill this role. *The Governor recommends staffing and funding as requested.*

Real Jobs Rhode Island Coordinator (1.0 FTE). The Department requests \$0.1 million from restricted receipts for 1.0 new coordinator of employment and training programs to handle the workload generated by the 26 partnerships established under the Real Jobs Rhode Island program. The Department notes that the workload has been spread out amongst other staff, but program growth necessitates the additional position. The goal of the program is to develop Real Jobs partnerships that convene industry employers, key stakeholders and groups in partnerships that build alliances to address business workforce demands. The Department's revised request assumes the position would be filled by the beginning of the second quarter of FY 2017. *The Governor recommends staffing and funding as requested.*

Real Jobs Rhode Island. The Department requests \$1.9 million, or \$1.7 million less than enacted for the remaining expenses of the Real Jobs Rhode Island program. Funding includes \$0.7 million from general revenues, which is consistent with the enacted budget and \$0.6 million more than enacted for a new three-year sector partnership emergency grant received in FY 2016. It also includes \$2.3 million less from federal Workforce Investment Act funding from both traditional awards and incentive awards and \$5,702 less from restricted receipts from employer contributions into the Job Development Fund, which is awarded through the Governor's Workforce Board. The reduction reflects the Department's available federal funds to

continue supporting through grant implementation the creation of strategic industry partnerships and develop training, education, and human resources solutions needed to address business and talent needs. Real Jobs Rhode Island aims to develop job partnerships connecting industry employers and key stakeholders to build alliances and address business workforce demands.

As part of its constrained request the Department includes a reduction of \$326,692 from general revenues. *The Governor recommends funding consistent with the unconstrained request.*

Governor's Workforce Board Chief of Planning (1.0 FTE). Consistent with its revised request, the Department requests \$0.1 million from restricted receipts for 1.0 Governor's Workforce Board Chief of Planning position. The Department notes that the Governor's Workforce Board Chief has been re-assigned to the Real Jobs Rhode Island Program. Therefore, this position has been added to meet the demands within the Governor's Workforce Board that this transfer has created. The mission of the Governor's Workforce Board is to develop, implement and support strategies that increase and improve the skill base of the state's workforce to meet the current and future demands of Rhode Island businesses. The Board also convenes and builds consensus among public and private stakeholders on devising policies that increase economic development opportunities within the state; and serves as the primary advisory body to the Governor regarding Rhode Island's federal and state workforce development programs and related systems issues. The Department anticipates filling the position at the beginning of the third quarter of FY 2017. *The Governor recommends staffing and funding as requested.*

Governor's Workforce Board - Grants and Operations. The Department requests \$10.0 million from restricted receipts, or \$0.2 million more than enacted to continue supporting workforce development grant awards and employment and training initiatives through the Governor's Workforce Board. The increase reflects the anticipation of carry forward funding as several grant initiatives and partnership programs have recently started in FY 2016 and FY 2017. The grant awards for FY 2018 will be determined in FY 2017. The Board receives 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.*

Employ Rhode Island. The Department requests \$38,945 from other funds for a new module, which will allow the Department to move to a paperless application process in the NetWORKri Offices. Employ Rhode Island is a free online recruiting resource for businesses and organizations wishing to fill staff vacancies by either recruiting from the database or posting a vacant position. The Department notes that it needs the new document manager module to ensure adequate security for personal information and to maintain files organized for audit reviews. The Department notes that funding for this initiative was received from the Social Security Administration as a result of successful job placements and retention milestones for participants in the Disability Employment Initiative after the beginning of the fiscal year. *The Governor recommends funding as requested.*

Dislocated Workers. The Department requests \$0.2 million, or \$0.2 million less than enacted from federal funds for dislocated workers services. The decrease reflects the remaining funding from a grant awarded from the United States Department of Labor's Employment Training Administration. Funds from these grants help states train laid-off workers for available jobs. The funding may also be used to provide services, such as job counseling, apprenticeships, and direct job placement that help connect laid-off workers, including the long-term unemployed, with jobs. *The Governor recommends funding as requested.*

Trade Readjustment Act. The Department requests \$0.8 million, or \$0.5 million more than enacted from federal funds for the trade readjustment assistance programs. The increase reflects new assistance awarded from the United States Department of Labor's Employment and Training Administration. The main

objective of the Trade Readjustment Assistance Act is to provide support to qualified workers adversely affected by foreign trade and assist them to obtain suitable employment. State workforce agencies serve as an agent of the United States for administering the worker adjustment assistance benefit provisions of the Trade Act. The programs provide testing, counseling, and job placement services; job search and relocation assistance; training; and payment of weekly trade readjustment allowances. Trade impacted workers are eligible to receive job search and relocation allowances to attend approved training outside the normal commuting distance of the worker's regular place of residence. *The Governor recommends funding as requested.*

Public Relations Position (1.0 FTE). The Department requests \$0.1 million from all funds including \$11,521 from general revenues for 1.0 new Chief of Information and Public Relations position in the marketing and communications unit. The Department notes that the demands of the marketing and communications unit, which is a multi-function work unit within the Department's executive office, requires additional staff to handle this unit's workflow, therefore this position has been added for this purpose. This position will be responsible to bolster the unit's efforts to meet customer demands by assisting with promotional event management and handling writing assignments as necessary. The Department's revised request assumes that the position would be filled by the first week of February. *The Governor recommends staffing as requested and \$328 less from general revenues than requested to reflect statewide benefit savings.*

Hearing Unit Positions (1.5 FTE). The Department request \$0.2 million from general revenues for a new full-time administrative officer and a new part-time legal counsel for the Department's new hearing unit. The Department is in the process of establishing a hearing unit and in order to accomplish this mission, it requests these two new positions to assist the current administrator with the workload. The Department's revised request assumes that the positions would be filled by the beginning of the third quarter of FY 2017. *The Governor recommends staffing as requested and \$815 less from general revenues than requested to reflect statewide benefit savings.*

State Workforce and Education Alignment Project Position (1.0 FTE). Consistent with its revised request, the Department requests \$0.1 million for a new Principal Research Technician position. The Department notes that this position is requested in order to meet the demands of the state workforce and education alignment project funded by a grant from the National Skills Coalition. The position was filled in September 2016. *The Governor recommends staffing and funding as requested.*

Learn, Earn, Advance and Prosper Position (1.0 FTE). Consistent with its revised request, the Department requests \$0.1 million from federal funds for 1.0 new Assistant Coordinator of Employment and Training Programs for the Learn, Earn, Advance and Prosper program. This program provides employment services for formerly incarcerated individuals. This position was filled in August 2016. *The Governor recommends staffing and funding as requested.*

All Other Workforce Development Grants and Operations. The Department requests \$8.8 million, or \$0.8 million less than enacted from federal funds for all other workforce development grants and operations. This includes \$0.5 million less for Workforce Investment Act programs to support employment initiatives towards dislocated workers and \$0.3 million less for the disability employment initiative. The request is less than enacted to reflect the remaining availability of federal funds. *The Governor recommends funding as requested.*

Unemployment Insurance Positions (14.2 FTE). Consistent with its revised request, the Department requests \$1.7 million from all funds for 14.2 new full-time equivalent positions for the unemployment insurance program. This includes \$1.6 million from federal funds and \$93,069 from other funds. The Department's request converts the current 11.0 part-time Senior Employment and Training Interviewers to full-time positions, which adds 4.4 full-time equivalent positions to the Department's count. It would also

hire an additional eight part-time Senior Employment and Training Interviewers, increasing the Department's count by 4.8 full-time equivalent positions.

In order to provide additional support to the Department's customers, it added 1.0 Employment and Training Interviewer (Portuguese) and 3.0 Employment and Training Interviewers (Spanish) to assist this population of customers. Finally, 1.0 Employment and Training Financial Analyst would be added to cross train with the current Unemployment Insurance Assistant Director to learn important aspects of the job as it relates to forecasting current and long-term trends as well as measurable economic influences pertinent to trust fund solvency and other related functions. The 11.0 Senior Employment and Training Interviewers were converted to full-time employees at the beginning of FY 2017; the rest of the positions were hired in November or December of 2016. *The Governor recommends staffing and funding as requested.*

Unemployment Insurance Administration. The Department requests \$10.9 million from all funds, or \$1.1 million less than enacted, which includes \$0.7 million less from federal funds and \$0.4 million less from restricted receipts for the administration of the unemployment insurance program including salaries and benefits for the program's 130.9 full-time equivalent positions. Almost the entire reduction is in staffing costs and primarily offsets the request for \$1.7 million for new positions mentioned above and reflects leaving some unemployment insurance administration positions vacant in order to fill the requested new ones. It appears the Department is restructuring the types and titles of positions within the unit. Adjusted for the new positions, staffing costs for unemployment insurance are \$0.7 million more than enacted and include updated benefit rates consistent with Budget Office planning values. *The Governor recommends funding as requested.*

Unemployment Insurance Benefits. The Department requests \$161.2 million from other funds, or \$0.8 million more than enacted for unemployment insurance benefits. This includes \$3.0 million more for anticipated benefit payments to other states and \$2.2 million less for traditional benefit payments. The request is more than enacted to reflect the amount that Rhode Island reimburses other states for paying benefits on the state's behalf is more than originally anticipated. *The Governor recommends funding as requested.*

Unemployment Insurance Information Technology System. The Department requests \$2.1 million from federal funds, or \$0.8 million less than enacted for expenses related to the replacement of the unemployment benefit tax system. The request reflects the Department's revised project schedule and anticipated expenditure estimates. The Department has indicated that it received an extension to expend these federal funds through September of 2018. The benefit system is currently scheduled to go live in February of 2018 and the tax system will most likely go live before August of 2018.

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 United States Department of Labor awarded the consortium \$90.0 million for the project, \$60.0 million for the centralized program development and \$10.0 million to each state to develop the program to its specific needs. The Department was able to secure \$1.5 million in additional federal funds to support staffing expenses related to developing the system, which expired September 30, 2015. *The Governor recommends funding as requested.*

Police and Fire Relief Fund. The Department requests \$3.9 million from general revenues, or \$0.1 million less than enacted for 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 workers based on projected expenditures. This consists of \$87,775 less for the Firemen's relief fund and \$18,531 less for the Policemen's relief fund. *The Governor recommends funding as requested.*

Temporary Disability Insurance Benefits. The Department requests \$173.0 million from the Temporary Disability Insurance Fund, or \$5.0 million more than enacted for the benefit payments that protect eligible workers against wage loss resulting from a non-work related illness or injury. Requested benefits increase 3.0 percent from the enacted level and 3.8 percent from FY 2016 expenditures. The Department is projecting higher benefit levels because benefits have been steadily increasing each year since a low of \$156.8 million during the great recession. *The Governor recommends funding as requested.*

Temporary Disability Insurance Administration. The Department requests \$9.0 million for the administration of the Temporary Disability Insurance program. This is \$0.6 million more than enacted. The increase reflects \$0.1 million more for temporary disability insurance funds transferred to the Department of Revenue to support the employer tax unit for both the disability and caregiver programs, \$0.1 million more for work being performed on the temporary disability insurance's interactive web response system, which was originally supposed to be completed in FY 2016 but would be carried forward into FY 2018 and \$0.4 million more in staffing costs to fully fund the program's 65.9 full-time equivalent positions. *The Governor recommends funding as requested.*

Temporary Caregiver Benefits. The Department requests \$14.5 million, or \$5.0 million more than enacted for benefits for the temporary caregiver insurance program based on the Department's belief that benefit payments will continue to increase slightly as more workers become aware of the program and feel more confident in their employment status to access the time off. The FY 2018 request is 52.6 percent above the FY 2017 enacted budget and 42.2 percent above FY 2016 expenditures. The program began on January 1, 2014, and allows 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 Governor recommends funding as requested.*

Temporary Caregiver Administration. The Department requests \$1.1 million from the Temporary Disability Insurance fund, or \$2,647 more than enacted for administration of the temporary caregiver program. This fully funds the program's 7.9 full-time equivalent positions. *The Governor recommends funding as requested.*

Workers' Compensation. The Department requests \$4.0 million or \$0.3 million less than enacted for administration of the worker's compensation program. The reduction primarily reflects \$0.3 million less for operations of the second injury fund program. This program provides services to individuals that get injuries for the second time and the injury is related to the first injury. The incident must occur while the individual is in the course of job operations. The fund provides for continuance of compensation and medical expenses payments at the prevailing rate to any employee who has suffered a work related injury resulting in total incapacity. These expenditures can fluctuate significantly from year to year. The Department's request is 6.3 percent below the enacted level and 4.0 percent below FY 2016 expenditures. *The Governor recommends funding as requested.*

Capital Improvements. The Department requests \$1.1 million from Rhode Island Capital Plan funds, or \$0.8 million less than enacted for the Center General Asset Protection project consistent with the Department's FY 2018 through FY 2022 capital budget request. *The Governor recommends \$80 less than requested from Rhode Island Capital Plan funds. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

Operating Transfers. The Department requests \$0.2 million from federal funds, or \$64,357 more than enacted for expenditures classified as operating transfers. This includes \$17,962 less for the trade readjustment act, \$1,804 less for the Workforce Investment Act's adult program and \$52,123 more for the Workforce Investment Act's dislocated worker program. 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. It also includes \$32,000 from Reed Act funds, for which none were included in the enacted budget. The Department's FY 2017 revised request uses \$2.0 million from Reed Act funds to support staffing costs within unemployment insurance administration; those funds are not available for FY 2018. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Department requests \$22.4 million from all funds, or \$0.1 million less than enacted for all other salaries and benefits of the remaining 204.8 full-time equivalent authorized positions. It includes \$0.6 million more from general revenues, \$1.3 million less from federal funds, \$0.5 million more from restricted receipts and \$1,413 more from other funds. The request includes \$0.4 million in current service adjustments consistent with Budget Office planning values offset by \$0.5 million in additional turnover savings mostly in the workforce development services program.

The Governor recommends \$0.8 million less than enacted from all funds, which is \$0.6 million less than requested. This includes \$12,611 of general revenue funded statewide benefit savings. The budget does not include approximately \$0.2 million of statewide benefit savings from non-general revenue sources.

The recommendation also removes \$0.3 million from federal funds and authorization for 2.5 full-time equivalent positions, which includes retirements of 1.0 Board of Review position and a 0.5 legal counsel position and elimination of 1.0 position, all in the Board of Review for the unemployment insurance and temporary disability insurance divisions. This would provide staffing levels for the Board similar to those in FY 2011 as workloads decrease as the economy improves.

The recommendation would fund approximately 413 positions. As of the pay period ending January 21, the Department had 404.7 filled positions.

All Other Operations. The Department requests \$0.8 million from all funds, or \$42,949 less than enacted for all other operations. This includes \$68,855 less from general revenues. The reduction includes \$21,895 less for the occupational safety unit, which protects the public and private sector by enforcing health and safety standards for all state agencies, public buildings, and city and town educational facilities and by educating the public regarding these standards and \$20,033 less for the professional regulation unit, which oversees the licensure, testing, registration, and discipline of more than 30,000 individuals in 67 trade occupations. This office also oversees the administrative and regulatory functions of seven licensing Boards whose 56 members represent the various professions. Minor adjustments were made among multiple expenditures and reflects the Department's anticipated expenditure estimates.

Consistent with her revised recommendation, the Governor recommends funding as requested and adds \$50,703 from general revenues for unidentified operating expenses within the Workforce Regulation and Safety program, which represents reallocation of some of the turnover savings from the eliminated positions in the Board of Review.

Department of Revenue

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Office of Director	\$ 1,147,047	\$ 1,222,848	\$ 1,250,642	\$ 1,244,266
Office of Revenue Analysis	806,836	807,744	791,459	788,009
Lottery Division	362,367,224	370,210,160	381,015,786	375,039,436
Division of Municipal Finance	3,053,887	3,097,334	2,502,180	2,511,025
Taxation	23,731,898	25,191,322	24,922,749	25,763,221
Registry of Motor Vehicles	28,565,229	25,244,889	25,271,268	26,346,001
State Aid	65,845,475	65,982,815	67,222,802	69,449,305
Total	\$ 485,517,596	\$ 491,757,112	\$ 502,976,886	\$ 501,141,263
Expenditures by Category				
Salaries and Benefits	\$ 49,821,261	\$ 49,289,524	\$ 50,285,205	\$ 50,549,109
Contracted Services	4,328,281	7,132,685	4,310,051	5,280,051
Subtotal	\$ 54,149,542	\$ 56,422,209	\$ 54,595,256	\$ 55,829,160
Other State Operations	361,302,605	366,513,979	379,954,201	374,608,856
Assistance, Grants, and Benefits	959,326	1,685,949	364,326	413,641
Capital	3,063,508	955,020	643,161	643,161
Aid to Local Units of Government	65,974,514	66,111,854	67,351,841	69,578,344
Operating Transfers	68,101	68,101	68,101	68,101
Total	\$ 485,517,596	\$ 491,757,112	\$ 502,976,886	\$ 501,141,263
Sources of Funds				
General Revenue	\$ 113,893,951	\$ 110,882,648	\$ 115,250,950	\$ 119,391,677
Federal Aid	2,145,367	4,375,213	1,567,500	1,567,500
Restricted Receipts	5,947,043	5,033,373	3,962,015	3,962,015
Other	363,531,235	371,465,878	382,196,421	376,220,071
Total	\$ 485,517,596	\$ 491,757,112	\$ 502,976,886	\$ 501,141,263
FTE Authorization	523.5	523.5	543.5	539.5

Summary. The Department of Revenue requests expenditures of \$503.0 million for FY 2018, including \$115.3 million from general revenues, \$1.6 million from federal funds, \$4.0 million from restricted receipts, and \$382.2 million from other sources including Lottery funds. The request is \$17.5 million more than the enacted budget. This includes \$1.4 million more from general revenues, \$0.6 million less from federal funds, \$2.0 million less from restricted receipts, and \$18.6 million more from other sources, primarily Lottery funds. The Department requests 543.5 full-time equivalent positions, 20.0 more than enacted.

The Department also submitted a constrained request that totals \$113.9 million from general revenues, which is \$1.3 million less from general revenues than the unconstrained request. *The Governor recommends \$501.1 million from all sources, which is \$1.8 million less than requested. Recommended general revenues are \$119.4 million, or \$4.1 million more than requested. The recommendation also includes \$6.0 million less than requested from Lottery funds.*

Target Issues. The Budget Office provided the Department of Revenue with a general revenue target of \$111.7 million. The amount includes current service adjustments of \$1.8 million and an 8.0 percent target reduction of \$4.0 million.

The constrained budget submitted by the Department is \$2.2 million more than the target. Among the new proposed initiatives is reassignment of \$2.1 million of Department of Motor Vehicles salaries to the Department of Transportation, offsetting costs of other initiatives. The proposals to achieve the reductions and revenues are noted among the items described where appropriate. *The Governor's recommendation is \$7.6 million above the target.*

FY 2018 Budget	Budget Office		DOR		Difference
FY 2017 Enacted	\$	113,893,951	\$	113,893,951	\$ -
Current Service Adjustments		1,806,191		1,873,234	67,043
New Initiatives		-		(516,235)	
<i>Change to FY 2017 Enacted</i>	\$	<i>1,806,191</i>	\$	<i>1,356,999</i>	\$ <i>67,043</i>
FY 2018 Current Service/Unconstrained Request	\$	115,700,142	\$	115,250,950	\$ 67,043
Target Reduction/Initiatives*		(3,951,948)		(1,340,520)	2,611,428
FY 2018 Constrained Target/Request	\$	111,748,194	\$	113,910,430	\$ 2,162,236
<i>Change to FY 2017 Enacted</i>	\$	<i>(2,145,757)</i>	\$	<i>16,479</i>	\$ <i>2,162,236</i>

Office of the Director

Staffing and Operations. The Department requests \$1.3 million from general revenues which is \$0.1 million more than enacted for staffing and operations in the Office of the Director. The Office oversees overall operations and is comprised of two units: the director of revenue and legal services. The request includes funding for 10.0 full-time equivalent positions, one more than the authorized level for the Office of the Director. It also appears to include the impact of cost allocations among other Divisions.

The request includes \$0.1 million to add a new Revenue Analyst position consistent with the FY 2017 revised request to provide analytical support to the Office. This position is reallocated from elsewhere in the Department. Other requested salaries and benefits are inclusive of all step increases, reflect updated planning values. The operations request is consistent with the enacted budget but shifts funding among expenditure items, consistent with historical trends.

The constrained request includes \$500 less for training.

The Governor recommends includes funding consistent with the constrained request and includes a further reduction of \$5,876 to reflect statewide benefit savings. Her budget includes a roster of 11 full-time equivalent positions, for which there are several cost allocations among other divisions.

Office of Revenue Analysis

Staffing and Operations. The Department requests \$0.8 million, which is \$15,377 less than enacted from general revenues for the Office of Revenue Analysis staffing and operations. This includes \$0.8 million, which is \$9,176 more than enacted to fund salaries and benefits for 6.0 full-time positions and turnover consistent with the enacted budget. The increase reflects current salaries and updated planning values.

The requests includes \$24,553 less than enacted from general revenues for other operations, primarily the exclusion of \$27,500 for the biennial license cost for economic modeling software. The licensing fee was last paid in FY 2017. The service will be due again in FY 2019. Other expenditures are consistent with FY 2016 expenditures levels. *The Governor recommends \$3,450 less than requested to reflect statewide benefit savings.*

Lottery Division

Commission Payments. The Department requests \$339.6 million, which is \$17.0 million more than enacted from Lottery funds for commission payments to reflect estimates and an increase in the number and type of table games available at Twin River Casino. The appropriations act historically includes language authorizing the Lottery to pay winning prize funds and commission payments to the local casinos for the fiscal year.

The Department's constrained request excludes this increase, but as the lottery is obligated to pay all awards, expenditures will be required regardless of appropriation. *The Governor includes a \$12.9 million increase in commission payments consistent with the November 2016 Revenue Estimating Conference.*

Casino Facilities Marketing. The Department requests \$9.4 million, which is \$1.0 million more than enacted from Lottery funds for the state's share of casino facilities marketing expenditures. The 2015 Assembly provided an additional 1.9 percent of the annual net video terminal income from the Newport Grand casino to the owner of the facility, for both FY 2016 and FY 2017 for the state's share of casino facilities marketing expenses. The Assembly included a sunset date of June 30, 2017, at which time the rate in effect as of June 30, 2013 is reinstated. The Division reports the request includes the additional 1.9 percent in anticipation of the facilities requesting a third extension; therefore, the request reflects a rate not consistent with the statute.

The Department's constrained request excludes \$0.4 million of this increase.

The Governor does not include the enhanced funding.

Salaries and Benefits. The Department requests \$9.9 million, \$0.4 million more than enacted, from Lottery funds to fully fund the Division's authorized level of 84.0 full-time equivalent positions and is consistent with updated benefit rates. The request includes an additional \$0.9 million in anticipation of new costs related to the Tiverton Casino approved by the voters in November 2016. This is offset by \$0.5 million less based on current staffing experience consistent with final FY 2016 spending and the FY 2017 revised request. The Division has reported an average of 5.4 vacant positions through the first half of the year. *The Governor does not include the \$0.9 million related to regulation of the Tiverton Casino which is not expected to be online until FY 2019. She includes the remainder of the funding as requested.*

Other Operations. The Department requests \$5.0 million, \$0.2 million more than enacted from Lottery funds for all other expenses. The increased expenditures include \$76,161 for the State Police Gaming Unit, \$74,454, for lottery program materials and marketing and \$25,339 more than enacted for insurance expenses. The request represents a 4.8 percent increase over the enacted budget, and 18.3 percent increase over FY 2016 actual spending. For FY 2016, the Division expended \$4.1 million, which is \$0.5 million less than enacted for these items; including \$0.4 million less for the State Police Gaming Unit.

The Department's constrained request is for the enacted amount.

The Governor recommends funding consistent with the unconstrained request.

Division of Municipal Finance

City of Central Falls Operations. The Department's request excludes the \$0.6 million appropriation for operational support for Central Falls as identified in Article 1 of 2016-H 7454 Substitute A, as amended. *The Governor concurs.*

Central Falls Retirees' Pensions. The FY 2012 enacted budget included \$2.6 million for the City of Central Falls to fund five years of payments to partially restore deep reductions sustained by its retirees who were not part of any state retirement system as part of the city's bankruptcy. The retirees successfully sought additional relief in the 2014 session to pick up when the \$2.6 million was exhausted at the end of FY 2016. The intent of the 2014 legislation was to offer sufficient state funds to maintain payments to the retirees at 75 percent of their pre-reduction pension benefit when the time and funding from the 2012 law expired. The original cost projection was for a total state cost over the 20 years of \$4.9 million, with the first state contribution of \$0.3 million being required in FY 2017. The annual cost declines over time as cost-of-living adjustments end up closing the gap and beneficiaries die. A drafting error in that legislation meant that payout would not start until FY 2018, one year later than intended, but more importantly the definitions cite the wrong reference data for the payment and therefore do not trigger the excess payment at all. The Assembly enacted 2016-H 8303, which fixed the reference data definition and the start year in order to technically conform to the original legislation and added \$0.3 million to begin the payments in FY 2017 and the Department includes the enacted level of funding in its FY 2018 request.

The Governor recommends a total of \$305,018, which is \$49,315 more than requested to fund the payment.

Transparency Portal. The Governor proposed, and the 2016 Assembly enacted, legislation to implement a standardized method of financial reporting for municipalities and develop an online portal for municipal report submission to publicly post municipal financial information. The enacted budget included \$0.1 million from general revenues and \$60,000 from the Information Technology Investment Fund for one-time software purchase and installation expenses. Also included was 1.0 new full-time programming services officer position to administer the initiative. The Division reports the Portal is scheduled to launch in January 2017, consistent with the Department's plan.

The Department requests \$0.2 million, \$3,850 more than enacted from general revenues. The request includes a full year funding for the position and \$60,638 for annual costs associated with the portal.

The Governor recommends \$622 less than requested to reflect statewide benefit savings.

Staffing and Operations. The Department requests \$2.1 million, \$44,443 more than enacted from general revenues for all other Division of Municipal Finance staffing and operations. This includes \$67,494 more for salaries and benefits and \$23,051 less for all other Division operations.

The salary and benefit request represents 6.0 percent turnover equivalent to leaving one of the remaining 16.0 full-time equivalent positions vacant. The request includes \$30,000 more for legal costs associated with the Rhode Island Supreme Court appeal related to the Fiscal Stability Act with respect to the Woonsocket Budget Commission, and \$50,000 less for expenses related to the Central Coventry Fire District.

The Department's constrained request further reduces expenses by \$30,500, primarily eliminating remaining legal services budgeted for litigation related to Woonsocket.

The Governor recommends funding consistent with the constrained request, and includes \$9,348 statewide benefit savings.

Local Aid

Payment in Lieu of Taxes. The Department requests \$43.0 million, \$1.0 million more than enacted 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. The Department reports that its request is to fund the program at the full 27.0 percent rate, but did not have updated data when submitting its budget. *The Governor recommends \$45.2 million, which is \$3.2 million more than enacted to fully fund the program.*

Property Tax Revaluation Program. The Department requests \$0.9 million, which is \$0.4 million more than enacted from general revenues to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2018. The request reflects anticipated expenses for maximum allowable reimbursements for communities scheduled to complete revaluations in FY 2018. Expenditures fluctuate annually depending on the size of the communities being reimbursed. In 2018, the communities that qualify for reimbursement are Little Compton, Providence, Scituate, and Westerly. *The Governor recommends the requested level of funding.*

Oversight Reimbursement. The Department requests the enacted amount of \$129,039 for 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 reimbursements to Central Falls, East Providence, and Woonsocket, consistent with the enacted budget. *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 2018. 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.*

Car Rental Tax/Surcharge - Warwick Share. The Department requests the enacted amount of \$0.9 million, from restricted receipts for the City of Warwick. 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

Form/Tax Credit Revenue Agent (1.0 FTE). The Department requests \$76,062 from general revenues for a new revenue policy analyst position for FY 2018 in the Forms and Tax Credit section of the Division of Taxation. This section has been staffed by a single revenue agent, the move from data entry to data capture processes requires technical capacity to approve and modify forms submitted by vendors to ensure compliance with the new system. This section is also responsible for administering and managing all tax credit programs under the Division's authority, consistent with state statute and Government Accounting Standards Board statement 77. The 2015 Assembly added five new credit programs and the Division cites this as a reason for needing additional staff support. *The Governor recommends funding as requested, adjusted for statewide benefit savings.*

Revenue Accounting (3.0 FTE). The Department requests \$0.2 million from general revenues to create 3.0 full-time equivalent positions, including two new revenue agent positions and one new teller position for FY 2018 in the revenue accounting section.

The Integrated Tax System has automated functions were done manually in other sections resulting in the need for additional review or reconciliation. The revenue agents would be responsible for those functions as well as the enhanced reporting now available with the new tax system. The resulting integration and automation of previously segregated functions requires technical expertise not currently available within the section and increased the scope of work. The new technical staff are to be cross-trained on functions currently performed by individual employees.

The new teller is to enhance customer service and facilitate processing the increased volume of walk-in requests. *The Governor recommends the requested funding, adjusted for statewide savings and increased position authorization requested, however, she substitutes two data analyst positions for the revenue agent positions. Additionally her budget assumes that the data analyst positions along with the two revenue agents recommended for the Division will generate \$2.0 million in new revenues, assuming \$0.5 million each position.*

Tax Processing (1.0 FTE). The Department requests \$0.1 million from general revenues to create 1.0 full-time equivalent senior revenue agent position in the tax processing section to the capacity to supervise a second shift of seasonal employees if necessary for the January through June tax season. The data capture capacity of the Integrated Tax System is dependent on scanning capacity within the section which has increased in volume as each step as the system has implemented. After the tax season supervisors are maintained to complete training and technical assignments.

The Governor recommends the position and funding as requested, adjusted for statewide benefit savings. Additionally, her budget assumes that this revenue agent position, along with the data analyst positions and other revenue agents recommended for the Division will generate \$2.0 million in new revenues, assuming \$0.5 million each position.

Revenue Agent (1.0 FTE). The Department requests \$76,062 from general revenues to create a new revenue agent position in the personal income tax section of the Division. The volume and scope of review has increased of personal income tax filings has increased with the implementation of the new system through all contact sources for the 2016 tax season; the new system is ‘worklist’ driven, this position will assist in reducing the volume in those lists resulting in expedited processing of tax returns.

The Governor recommends the position and funding as requested, adjusted for statewide benefit savings. Additionally, her budget assumes that this revenue agent position, along with the data analyst positions and other revenue agent recommended for the Division will generate \$2.0 million in new revenues, assuming \$0.5 million each position.

Customer Service (2.0 FTE). The Department requests \$0.2 million from general revenues to create 2.0 full-time equivalent taxpayer service specialist positions in the personal income tax section of the Division. The volume and scope of review has increased for personal income tax filings with the implementation of the new system through all contact sources for the 2016 tax season; phone calls and walk-ins have increased dramatically, the two taxpayer service specialists are intended to expedite refunds and enhance customer service.

The Governor recommends the position and funding as funding as requested, adjusted for statewide savings.

Other Salaries and Benefits. The Department requests \$22.3 million from all sources, including \$18.9 million from general revenues for salaries and benefits for the enacted level of 231.0 full-time equivalent positions, in the Division of Taxation. This is \$0.5 million more than enacted and includes \$0.4 million more from general revenues, \$20,722 more from federal funds, \$14,505 more from restricted receipts, and

\$15,263 more from Temporary Disability Insurance funds. The recommendation includes adjustments for updated benefit rates and assumes about six percent turnover savings, consistent with the enacted budget.

The 2016 Assembly authorized the creation of 5.0 new positions associated with enhanced compliance and collection initiatives, including three revenue officer positions and two revenue agent positions. The Department reports that those positions have been filled. *The Governor recommends \$90,332 less than requested to reflect current staffing and statewide benefit savings of \$79,652.*

Multistate Tax Commission Dues. Consistent with its revised FY 2017 request the Department requests \$95,626 more than enacted from general revenues for dues in the Multistate Tax Commission's Joint Audit Program. Under the Joint Audit Program states enter essentially a third-party auditor contract with the Multistate Tax Commission. The Commission amounts to a mechanism that allows multiple states to jointly audit a single multistate taxpayer which should produce efficiencies to both taxpayers and the states.

The Division reports it has been a member of the Joint Audit program since 2014, and a full Compact member since 2015; the Division has paid dues during the last two fiscal years, using savings from other areas to cover the expense. The current contract ends in FY 2017, the Department reports it intends to renew and remain a member to leverage the benefits to the Division. In FY 2016 the Division funded this expense from savings in other items but has requested a lower level of funding for many of these expenditure lines in the current year. *The Governor recommends funding as requested.*

Integrated Tax System Support. The 2012 Assembly approved total project costs of \$25.0 million, financed through Certificates of Participation, to consolidate separate Division of Taxation programs and functions into one computer system. The integrated system is intended to enhance customer service, increase employee productivity, reduce operating costs, and help the Department collect additional revenue. Outside of the budget process, the Department identified the need for \$2.7 million to contract the current vendor for ongoing operational support and other functionality.

The request includes \$1.0 million for vendor staff performing daily and annual monitoring and maintenance of internally and externally facing system functions, continued alignment of the system with departmental requirements for future tax system changes, processing, data migration and validation, and further enhancements. The request also includes \$1.7 million for short term expenses including work list efficiency mapping and recommendations, data migration, validation and bug fixing, and user training for Division personnel, including a training team for future Division trainings.

The Governor recommends \$1.0 million from general revenues for ongoing support and the Budget Office indicates that another \$1.7 million would be allocated from the Information Technology Investment Fund for items not of a recurring nature. Also, Article 16, Section 2 of 2017-H 5175 includes authority to borrow an additional \$2.0 million for enhancements to the new system including additional cashiering, statistical reporting, and auditing enhancements.

Other Operations. The Department requests \$1.9 million, \$11,603 less than enacted from all sources including \$10,778 less from general revenues, \$2,653 less from federal funds, \$467 more from restricted receipts and \$1,361 more from other funds for all other Division of Taxation operations. It includes \$0.6 million for postal and delivery services, \$0.3 million for information technology maintenance, and \$0.2 million for membership dues and fees. The request is consistent with historical expenditures for contracted financial services, and other office expenses. It includes \$9,000 less from general revenues for postage and training. FY 2016 general revenues actual spending for these lines was \$1.7 million, \$77,958 less than requested.

As part of its constrained request the Division requests to reduce its training expenditures \$11,000 from general revenues. *The Governor recommends \$66,081 less than requested consistent with FY 2016 actual spending and the FY 2017 revised request.*

Sales and Use Tax - Vehicle Documents. The Department has proposed a new revenue initiative estimated to generate \$1.8 million by charging sales tax on separately stated document preparation and title fees charged by motor vehicle dealers to consumers in connection with the sale of a motor vehicle. States that employ this methodology include Massachusetts, Connecticut, Vermont and Florida.

The Department reports that a document redesign that would no longer identify these items on separate lines could be executed consistent with the Registry's current operations. The Department reports an average of 2,000 transactions weekly with an average cost of \$250, taxed at the 7.0 percent rates equated to \$1.8 million. *The Governor did not recommend this initiative.*

Division of Motor Vehicles

License Plate Reissuance. Consistent with its FY 2017 revised request, the Department requests \$3.1 million, \$50,000 less than enacted from general revenues based on delays in implementing the ongoing information technology modernization project. The 2016 Assembly enacted legislation postponing the reissuance of the plates from July 2016 to April 2017, closer to the deployment of the Registry's modernized information technology system. The Department subsequently reported the system is anticipated to be delayed an additional year.

The request includes the enacted level of \$3.0 million for license plate production costs; the Department additionally requests the enacted amount for anticipated postage costs associated with mailing sets of new plates and \$50,000 less for payment to Correctional Industries for the production costs associated with the initiative. Each plate set is anticipated to cost up to \$12.50 to produce; the Department anticipates producing approximately 36,500 plate sets per month over a period of 24 months. Current law allows a \$6 per plate fee, which remains unchanged.

Total cost for reissuance is estimated at \$5.7 million, with the assumption that reissuance would take place over a 24 month period; assuming production begins April 2017 expenses are \$0.7 million in FY 2017, \$2.9 million in FY 2018, and \$2.1 million in FY 2019. The Department reports that it anticipates that the unspent funds in FY 2017 will be reappropriated to FY 2018 to complete the reissuance process. *The Governor recommendation includes the \$3.0 million as well as the \$150,000 for initial costs through Department of Corrections, consistent with the enacted budget.*

Driver's License Imaging. Consistent with its revised FY 2017 request, The Department requests \$1.3 million, \$55,000 more than enacted from general revenues for software licensing agreement associated with a prior upgrade to the cameras used by the registry branches for photo imaging for driver's licenses and other credentials, such as state identification cards. In the first quarter of FY 2016, the Division of Information Technology and Department of Administration approved the purchase of new cameras from the Information Technology Investment Fund. The cameras and associated software upgrades are anticipated to assist the Division with lowering wait times for licenses and other forms of identification as well as meet standards associated with the federal Real ID program. The request reflects a new contract for annual service fees associated with updated hardware and software; the new contract was signed during FY 2016, the requested amount is consistent with FY 2016 spending. It is unclear why this was excluded from the FY 2017 request. *The Governor recommends funding as requested.*

Information Technology Modernization. The Department requests \$3.2 million, which is \$2.5 million less than enacted from all funds for the modernization of Registry information technology hardware and software. The project is intended to expand available online functions and reduce overall registry wait

times. The project is anticipated to be implemented in June 2017. The request includes \$0.2 million more from general revenues, \$0.6 million less from federal funds, and \$2.0 million less from restricted receipts based on the project timeline.

It also includes \$140,000 more from general revenues for contractual agreements including a business analyst and maintenance, and \$27,510 more for compatible hardware. The restricted receipts are generated from the \$1.50 technology surcharge authorized by the 2006 Assembly to fund debt service and direct costs associated with the new system. The surcharge was extended by the 2009 Assembly from a period of seven to ten years, with a sunset date of June 30, 2017. The Department reported the debt service was fully paid in February 2016.

The request includes \$0.6 million less from federal funds for projects related to commercial driver's licenses and vehicles including \$0.3 million less for federally mandated programming and Real ID design and commercial driver's license verification system that is compliant with federal requirements; the Real ID project includes \$0.1 million for FY 2018 from unspent FY 2017 expenditures. The request also includes \$0.3 million less for a project to allow the State Police to monitor commercial vehicles on the highway, reflecting the closure of the grant.

The Governor recommends funding as requested. She also recommends extending the \$1.50 technology surcharge from FY 2018 through FY 2022. This codifies original uses and expands to maintenance and enhancements. Though the budget does not appear to include any spending from the extension of the receipts.

RIMS Staff (12.0 FTE). The Department requests \$643,220 from general revenues for 12.0 full time equivalent positions in support of implementation of the modernization project. The request includes 10.0 customer service representatives and two motor vehicle appeals officers. There are currently 7.0 employees who work on the new system implementation and testing. The additional positions are designed for full-time support to the Registry system and account for the necessary contingency staffing for during full implementation.

The Department's constrained request excludes this funding.

The Governor recommends \$319,545 and 8.0 full-time equivalent positions including six customer service representative and two motor vehicle appeals officer positions.

Cost Allocation to Transportation. The Department requests \$2.1 million less than enacted from general revenues for staffing costs it associated with the collection of fees and other revenues that are now dedicated for transportation uses. The request covers approximately one-quarter of salary and benefit costs for all customer service representatives and branch supervisor positions. Most of these revenues were previously deposited as general revenues but were gradually shifted over to the highway maintenance fund rather than the general fund.

The Governor proposes transferring 0.5 percent of the receipts from Highway Maintenance Account to the Division of Motor Vehicles to cover costs of fee collection. This equates to \$0.4 million. The budget assumes it would be used to fund \$0.5 million of salary and benefit costs, apparently in error

All Other Salaries and Benefits. The Department requests \$15.1 million, \$0.2 million more than enacted from all fund sources, and for all other Division of Motor Vehicles salaries and benefits for the authorized level of 173.5 full-time positions. The request includes \$15.0 million from general revenues, \$0.2 million more than enacted, and \$69,240 from federal funds, \$22,077 more than enacted, which almost entirely reflects updated benefits rates consistent with Budget Office planning values. The request also includes the enacted amount of \$0.4 million for overtime costs. The Department had \$0.1 million in overspending

related to overtime expenses in FY 2016. The Department reports 175.0 positions filled as of December 13, 2016, reflecting 6.5 vacancies.

The Governor recommends \$95,295 less than requested to reflect current staffing including \$51,734 of statewide benefit savings.

Other Operations. The Department requests \$4.1 million, which is \$0.4 million more than enacted from general revenues all other expenses for the Division of Motor Vehicles. The request includes \$0.9 million related to the commercial vehicle international registration plan, \$0.9 million for postage, \$0.6 million for printing, \$0.3 million for rent, \$0.2 million for contracted services, and \$0.1 million each for information technology maintenance and facilities expenses. The request includes \$0.2 million more for postage, \$0.1 million more for printing as well as increases for software maintenance and licensing agreements for the registry's legacy technology system and general office supplies and equipment consistent with the FY 2017 revised request and prior experience.

The Governor recommends \$0.2 million more than enacted but \$0.2 million less than requested based on its review of historical spending, the constrained request and anticipated utility increases.

Discontinuing Registration Refunds. As part of its request, the Department proposes amending current law to eliminate refunds for registrations that are valid for more than one year at the time they are returned to the Division of Motor Vehicles. The proposal assumes that the elimination of these refunds would result in savings of \$539,000 per fiscal year, based an average of the prior two fiscal years; this proposal would require a statutory change. *The Governor does not recommend this initiative.*

Legislature

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
General Assembly	\$ 5,725,048	\$ 7,972,363	\$ 6,110,642	\$ 6,080,325
Fiscal Advisory Staff	1,893,563	1,946,864	1,851,897	1,843,417
Legislative Council	5,357,247	5,225,644	5,466,501	5,436,430
Joint Comm. on Legislative Affairs	24,114,329	27,022,477	25,239,342	25,130,388
Office of the Auditor General	5,645,215	5,366,566	5,766,525	5,748,004
Special Legislative Commissions	13,900	13,900	13,900	13,900
Total	\$ 42,749,302	\$ 47,547,814	\$ 44,448,807	\$ 44,252,464
Expenditures by Category				
Salaries and Benefits	\$ 36,089,542	\$ 35,225,911	\$ 37,252,712	\$ 37,026,369
Contracted Services	529,500	886,500	555,500	555,500
Subtotal	\$ 36,619,042	\$ 36,112,411	\$ 37,808,212	\$ 37,581,869
Other State Operations	3,092,760	7,262,289	3,545,595	3,545,595
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,300,000	2,300,000	2,300,000
Capital	737,500	1,873,114	795,000	825,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 42,749,302	\$ 47,547,814	\$ 44,448,807	\$ 44,252,464
Sources of Funds				
General Revenue	\$ 41,052,730	\$ 45,936,290	\$ 42,718,850	\$ 42,522,507
Federal Aid	-	-	-	-
Restricted Receipts	1,696,572	1,611,524	1,729,957	1,729,957
Other	-	-	-	-
Total	\$ 42,749,302	\$ 47,547,814	\$ 44,448,807	\$ 44,252,464
FTE Authorization	298.5	298.5	298.5	298.5

Summary. The Legislature estimates FY 2018 expenditures of \$44.4 million and 298.5 full-time equivalent positions. This includes \$42.7 million from general revenues and \$1.7 million from restricted receipts. *The Governor recommends \$196,343 less from general revenues than requested to reflect statewide benefit savings. This is also a shift of \$30,000 from personnel to computer expenditures.*

Office of the Lieutenant Governor

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,045,167	\$ 934,952	\$ 1,023,285	\$ 1,041,881
Contracted Services	750	76,000	24,750	-
Subtotal	\$ 1,045,917	\$ 1,010,952	\$ 1,048,035	\$ 1,041,881
Other State Operations	32,909	41,586	32,909	41,586
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	750	750	10,285	750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,079,576	\$ 1,053,288	\$ 1,091,229	\$ 1,084,217
Sources of Funds				
General Revenue	\$ 1,079,576	\$ 1,053,288	\$ 1,091,229	\$ 1,084,217
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,079,576	\$ 1,053,288	\$ 1,091,229	\$ 1,084,217
FTE Authorization	8.0	8.0	8.0	8.0

Summary. The Office of the Lieutenant Governor requests total expenditures of \$1.1 million from general revenues for FY 2018, \$11,653 more than enacted. The request includes 8.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$1.1 million, which is \$4,641 more than enacted and \$7,012 less than requested.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$1,002,369. The amount includes current service adjustments of \$9,956 and an 8.0 percent target reduction of \$87,163.

The constrained budget submitted by the agency is \$11,298 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 above the target.*

FY 2018 Budget	Budget Office	Lieutenant Governor	Difference
FY 2017 Enacted	\$ 1,079,576	\$ 1,079,576	\$ -
Current Service Adjustments	9,956	(12,347)	(22,303)
New Initiatives	-	24,000	24,000
Change to FY 2017 Enacted	\$ 9,956	\$ 11,653	\$ 1,697
FY 2018 Current Service/Unconstrained Request	\$ 1,089,532	\$ 1,091,229	\$ 1,697
Target Reduction/Initiatives	(87,163)	(77,562)	9,601
FY 2018 Constrained Target/Request	\$ 1,002,369	\$ 1,013,667	\$ 11,298
Change to FY 2017 Enacted	\$ (77,207)	\$ (65,909)	\$ 11,298

Staffing. The Office requests \$1.0 million from general revenues for salaries and benefits for 8.0 full-time equivalent positions, \$21,882 less than enacted. This reduction is attributable to the use of incorrect benefit rates. After adjusting for correct FY 2018 planning values, it would cost \$1,056,637 to fully fund all 8.0 authorized positions. This is \$11,470 more than enacted to reflect current service adjustments.

The Office's constrained request reduces funding for salaries and benefits by \$9,618. The Office indicates that these savings would be achieved through turnover savings by holding a position vacant if any employees were to leave during the fiscal year.

The Governor recommends \$18,596 more from general revenues than the unconstrained request. This primarily reflects correctly budgeted benefit rates partially offset by \$5,199 for statewide benefit savings.

Legal Services. Consistent with its revised request, the Office's FY 2018 request includes \$24,000 to hire an outside legal firm for general legal services. The Office indicates that this request is based upon costs for a law firm that the Office keeps on retainer at a cost of \$2,000 per month. This firm performs a variety of tasks for the Office, including providing advice related to the Office's responsibilities for various statutory committees the Lieutenant Governor chairs or sits on including the Small Business Advisory Council, Long Term Care Coordinating Committee, and the Emergency Management Advisory Council. Another major service this firm provides is offering legal guidance regarding Access to Public Records Act requests.

The Office's constrained request removes the \$24,000 requested for outside legal services. The Office indicates that this would be feasible because the retainer is a month-to-month arrangement that could be cancelled with only one month's advance notice.

The Governor's recommendation excludes this funding, consistent with the constrained request. It should be noted that the Governor's revised recommendation for FY 2017 includes a total of \$76,000 for legal services; total expenditures as of late January 2017 are \$68,081.

State Fleet Revolving Loan Fund Repayment. The Office's request includes \$9,535 from general revenues for the second of three annual repayments to the State Fleet Replacement Revolving Loan Fund for a vehicle purchased in February 2016, for which the enacted budget included no funding. The new vehicle was purchased at a total cost of \$28,785 and arrived in March 2016. The Office anticipates the first payment to be made in March 2017. This funding was mistakenly excluded in the Office's FY 2017 request, upon which the enacted budget was based. The revised request includes \$9,535 for the first year's repayment.

The Office's constrained request eliminates the \$9,535 requested for repayment to the State Fleet Revolving Loan Fund. This is not feasible because the car for which the repayment is requested has already been purchased. *The Governor recommends the requested \$9,535.*

All Other Operations. The Office requests \$34,409 from general revenues for all other operations, consistent with the enacted budget and the revised request. This is \$2,358 more than FY 2016 spending for the same items.

The Office's constrained request reduces spending for all other non-personnel expenses by \$34,909. This would require the complete elimination of all funding for non-personnel expenses including general office operations and capital purchases.

The Governor recommends \$1,608 less from general revenues than the unconstrained request.

Office of the Secretary of State

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Administration	\$ 3,539,219	\$ 3,302,338	\$ 3,566,104	\$ 3,382,625
Corporations	2,192,627	2,118,776	2,233,997	2,224,127
State Archives	750,240	652,423	5,487,390	501,628
Elections and Civics	3,377,103	3,280,615	3,108,337	1,906,470
State Library	554,149	630,151	726,446	723,385
Record Center	907,177	808,527	807,345	807,345
Office of Public Information	524,232	549,703	615,243	612,562
Total	\$ 11,844,747	\$ 11,342,533	\$ 16,544,862	\$ 10,158,142
Expenditures by Category				
Salaries and Benefits	\$ 6,515,590	\$ 6,370,824	\$ 6,726,897	\$ 6,696,603
Contracted Services	782,442	558,448	609,642	438,938
Subtotal	\$ 7,298,032	\$ 6,929,272	\$ 7,336,539	\$ 7,135,541
Other State Operations	4,061,144	3,867,367	2,810,707	2,835,707
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	143,976	143,976	143,976	143,976
Capital	341,595	401,918	6,253,640	42,918
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 11,844,747	\$ 11,342,533	\$ 16,544,862	\$ 10,158,142
Sources of Funds				
General Revenue	\$ 10,281,051	\$ 9,920,874	\$ 9,087,317	\$ 8,911,319
Federal Aid	-	22,859	-	-
Restricted Receipts	556,519	440,273	439,478	439,478
Other	1,007,177	958,527	7,018,067	807,345
Total	\$ 11,844,747	\$ 11,342,533	\$ 16,544,862	\$ 10,158,142
FTE Authorization	59.0	59.0	59.0	59.0

Summary. The Office of the Secretary of State requests FY 2018 expenditures of \$16.5 million, which is \$4.7 million more than the FY 2017 enacted budget. The request includes \$1.2 million less from general revenues, \$0.1 million less from restricted receipts, \$0.1 million less from other funds and \$6.1 million more from federal funds. The request includes 59.0 full-time equivalent positions, which is consistent with the enacted authorization.

The Governor recommends total expenditures of \$10.2 million, including \$8.9 million from general revenues. The recommendation is \$1.7 million less than enacted from all funds and \$1.4 million less from general revenues. Compared to the request, the recommendation is \$6.4 million less from all funds and \$0.2 million less from general revenues. The Governor recommends 59.0 full-time equivalent positions as requested.

Target Issues. The Budget Office provided the Office of the Secretary of State with a general revenue target of \$8.1 million. The amount includes current service adjustments of \$1.6 million and an 8.0 percent target reduction of \$0.6 million. The Office of the Secretary of State did not submit a constrained budget request. The Office's request is \$0.4 million above the Budget Office's current services level and \$1.0 million above the target. *The Governor's recommendation is \$0.8 million above the target.*

FY 2018 Budget	Budget Office	Secretary of State	Difference
FY 2017 Enacted	\$ 10,281,051	\$ 10,281,051	\$ -
Current Service Adjustments	(1,583,386)	(1,516,760)	66,626
New Initiatives	-	323,026	323,026
Change to FY 2017 Enacted	\$ (1,583,386)	\$ (1,193,734)	\$ 389,652
FY 2018 Current Service/Unconstrained Request	\$ 8,697,665	\$ 9,087,317	\$ 389,652
Target Reduction/Initiatives	(590,649)	-	590,649
FY 2018 Constrained Target/Request	\$ 8,107,016	\$ 9,087,317	\$ 980,301
Change to FY 2017 Enacted	\$ (2,174,035)	\$ (1,193,734)	\$ 980,301

Regulatory Reform Initiative. The Office requests \$457,397 from general revenues, or \$249,255 less than enacted to support the state's regulatory reform initiative. The FY 2017 enacted budget includes \$706,652, which includes \$325,307 for two contractors, a Senior Level Developer and a Data Architect, \$300,000 for hardware, licensing, and maintenance agreements and \$81,345 for two full-time equivalent positions, a Junior Application Developer and a Copy Editor. The project was originally expected to be completed in FY 2017, but the Office's FY 2017 revised request shifted \$293,980 to FY 2018 to align the project timeline. The request reflects funding shifted from FY 2017 for contracted staff who will be contracted for one quarter of FY 2018, hardware, licensing and maintenance expenditures and the full-time equivalent positions to finalize the project. The Rhode Island Code of Regulations is now expected to go live in FY 2018. *The Governor recommends funding as requested and shifts \$0.2 million to the Office of Regulatory Reform in the Department of Administration to provide legal assistance to agencies working to update and revise rules and regulations.*

eGov Initiative. The Office requests \$0.5 million from general revenues, or \$0.3 million more than enacted for information technology expenditures based on revised project timelines. After the new Secretary was sworn in, a new Chief Innovation Officer was hired, an agency-wide information technology review was conducted, and subsequently, priorities and projects were rearranged, resulting in the need for less funding in FY 2016 and additional funding in FY 2017 and FY 2018. The request includes \$262,080 more for two contract Junior Developer positions, who will be hired on April 1, 2017 and will be contracted throughout FY 2018 to assist with the workload. The eGov information technology initiative is comprised of several projects including the redesign of the lobby tracker application, the redesign of the open meeting user interface, the redesign of the Boards and Commissions database and webpage, the reimagining of the Rhode Island Government Owner's Manual and restructuring of the business services database. *The Governor recommends funding as requested.*

Voter Rolls. The Office requests \$45,778 from general revenues, or \$222 less than enacted for maintaining and updating the state's voter rolls. The FY 2018 request includes \$21,778 for annual dues from the Electronic Registration Information Center, \$20,000 for mailings to people who have moved and \$4,000 for printing expenses. The request is less than enacted to reflect a reduction of annual dues from the Electronic Registration Information Center. *The Governor recommends funding as requested.*

Online Voter Registration. The Office's request eliminates the \$130,000 enacted from general revenues for the online voter registration portal. The online voter registration portal allows residents to register to vote and/or change their voter registration information online, which is intended to improve the accuracy of the voter rolls. The request eliminates the enacted funding since it included a one-time purchase of the system software to integrate the voter verification process into the state's registration database. The state's new online voter registration portal went live on Monday, August 1, 2016. This is a one-year project and

it was new in the enacted budget. No agency staff was needed for this project since it was contracted out. *The Governor recommends funding as requested.*

Referenda Expenses. The Office's request eliminates the \$119,400 from general revenues for referenda costs, which are a biennial expense. Referenda costs include printing of referenda pamphlets, legal counsel and translator expenses. FY 2018 is an off-year in the two-year election cycle, during which there is no need for this expense. The Office spent \$134,355 on referenda costs in FY 2013 and \$116,350 in FY 2015, the last two on-years in the two-year election cycle. *The Governor recommends funding as requested.*

E-Poll Books. The FY 2017 enacted budget includes \$195,000 from general revenues to implement a pilot project to purchase 200 electronic poll books for the September and November elections. The funding would also cover the maintenance charges for the first year of the service contract. The Office's original plan was to increase the number of e-poll books up to 1,600 and deploy them statewide over the course of FY 2017 through FY 2019.

The Office requests \$2.4 million from the Information Technology Investment Fund over FY 2017 and FY 2018 to lease the remaining 1,400 e-poll books needed throughout the state instead of over three years as assumed in the enacted budget. The Office requests an additional \$1.2 million in its FY 2017 revised request and \$1.0 million in its FY 2018 budget request. *The Governor does not recommend funding for this project; however, she recommends \$25,000 from general revenues to finance maintenance costs.*

Voting Equipment. The Office requests \$1.2 million, or \$0.2 million less than enacted from general revenues for new voting equipment as part of the multi-year purchase and maintenance agreement authorized by the 2016 Assembly. During the 2015 Session, the General Assembly enacted legislation contained in 2015-H 6312, Substitute A, as amended, authorizing the Secretary of State to submit and approve the specifications used by the Department of Administration in procuring voting systems, voting system-related services and accessible voting equipment, on behalf of the state. 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 were outdated and no longer adequate. The 2016 Assembly included \$1.3 million from general revenues for a total of \$1.4 million to allow the Secretary of State to enter into a multi-year purchase and maintenance agreement for new voting equipment. It reduced funding in the Board of Elections' budget by \$0.3 million making the net increase to the state in FY 2017 \$1.0 million. The request is less than enacted to better align with the current project cost. *The Governor recommends funding as requested.*

Other Election Expenses. The Office requests \$0.2 million, or \$0.9 million less than enacted from general revenues for all other election expenses. This primarily reflects \$0.7 million less for printing, \$0.1 million less for advertising, \$47,000 less for information technology support and \$23,561 less for the lease agreement at the West River Street building. The Office renewed the lease in January of 2016, which resulted in a lesser amount than what was included in the FY 2017 enacted budget. The request is less than enacted since FY 2018 is an off-year in the two-year election cycle, during which there is a considerable decrease in these services. The request is 42.3 percent less than FY 2016 expenditures, the last on-year. *The Governor recommends funding as requested.*

Relocation of State Archives. The Office requests \$5.0 million, or \$4.9 million more than enacted from Rhode Island Capital Plan funds for FY 2018 to procure architectural and engineering services to design an appropriate, shared and permanent building that supports archival best practices, develops operations and programs, preserves the records of Rhode Island and Providence, and serves and involves the citizens of Rhode Island. The FY 2017 enacted budget includes \$100,000 from Rhode Island Capital Plan funds in order to procure a study that will build upon the preliminary study funded by the Rhode Island Foundation,

which identified a need for an appropriate building that meets archival standards. The study will provide the necessary information for the Office to then seek voter approval of general obligation bonds in November 2018 to construct the building. *The Governor does not recommend funding for this project.*

State Archives - All Other. The Office requests \$0.2 million, or \$53,270 less than enacted from all fund sources, including \$2,734 more from general revenues and \$56,004 less from restricted receipts from the Historical Records Trust Fund for the operation of the state archives. This primarily reflects \$79,451, or \$54,688 less for rental costs at Westminster Street in Providence where the Office stores its archival records. Rent at Westminster Street is paid through the state archives and records center divisions. The Office notes that it used to occupy over 10,000 square feet at this location at a rental price of \$266,700, but it recently moved all records out of the basement so it now occupies only 8,000 square feet at a rental price of \$160,960. *The Governor recommends funding as requested.*

Records Center. The Office requests \$0.4 million, or \$28,094 less than enacted from other funds, which include \$30,652 less for operating supplies and expenses. This includes \$56,293 less for rental costs at Westminster Street in Providence where the Office stores its archival records. Rent at Westminster Street is paid through the state archives and records center divisions. The Office notes that it used to occupy over 10,000 square feet at this location at a rental price of \$266,700, but it recently moved all records out of the basement so it now occupies only 8,000 square feet at a rental price of \$160,960. It also includes \$28,761 more for records storage and retrieval, based on FY 2016 expenditures. The Office's FY 2017 revised request is also consistent with FY 2016 expenditures. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Office requests \$6.6 million, or \$0.1 million more than enacted, including \$263,750 more from general revenues, \$75,420 less from restricted receipts and \$71,738 less from other funds. The request includes 57.0 full-time equivalent positions, which is consistent with the enacted authorization. The increase reflects full staffing and benefit adjustments consistent with the Budget Office planning values. The Office currently has three vacancies, which are expected to be filled throughout FY 2017. *The Governor recommends \$30,294 less than requested to reflect statewide benefit savings.*

Rhode Island Government Owner's Manual. The Office's request eliminates the \$16,700 included in the enacted budget to publish the Rhode Island Government Owner's Manual, which is only printed in odd numbered years, per Rhode Island General Law 22-3-12. *The Governor recommends funding as requested.*

State House Tour Program. Consistent with its FY 2017 revised request, the Office requests \$25,000 or \$10,000 more than enacted from general revenues to continue to expand tour offerings and enhance visitor experience at the Rhode Island State House. The Office uses the tour program as a means to increase knowledge among children and adults of Rhode Island history and how government works. State House guides tour approximately 15,000 people per year, the majority of whom are elementary and middle school students. The Department is actively working to encourage every school district in the state to include a visit to the State House in their social studies curriculum. The Department notes that for FY 2018, it will offer more tours, a much better guide to group ratio for a better learning experience for school groups, and better content and guide training. *The Governor recommends funding as requested.*

State House Visitor's Center. Consistent with its FY 2017 revised request, the Office requests \$25,000, or \$14,383 more than enacted from restricted receipts to fund the State House Visitor's Center and Gift Shop, which opened in December 2013. Staffing is provided by unpaid interns from Johnson and Wales University and merchandise sales are used to fund the restricted receipt account. The request reflects an increased promotion of the visitor's center, which began in FY 2016, and is expected to increase foot traffic and sales, requiring more frequent replenishment of the merchandise. *The Governor recommends funding as requested.*

Scanning Project. The Office requests \$50,000 from general revenues to hire an outside company to undertake a new scanning project for the Business Services Division. The Division houses business records pursuant to Rhode Island General Laws Chapter 7-1 through 7-6, which contain the filing of entities dating back to 1741. The Office notes that approximately 38,000 active files, containing between 2 and 1,000 pages are needed to be imaged and matched. This would allow for the files to be viewable on line and allow for the transparency of businesses in Rhode Island. The Office would assess the progress of the project within FY 2018 to determine if the project would need to be funded in FY 2019 as well. *The Governor recommends funding as requested.*

All Other Operations. The Office requests \$0.7 million, or \$7,349 less than enacted from general revenues for all other operations. This includes \$0.3 million for the Corporations division for rental expenses of outside property, postal services and legal expenses; \$0.1 million for the Administration division for records storage and retrieval charges from Iron Mountain, insurance expenses, postal services and a loan repayment of a vehicle; \$0.1 million for the Office of Public Information for legal expenses and software maintenance; and \$0.2 million for the State Library for state grants and subscription expenses.

The reduction reflects \$21,000 less for subscription expenses at the State Library, \$4,000 less for office supplies at the Office of Public Information, \$11,785 more for rent at the Corporations division and \$8,602 more for a loan repayment of a vehicle for the Administration division. *The Governor recommends funding as requested.*

Office of the General Treasurer

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
General Treasurer	\$ 3,386,783	\$ 11,432,629	\$ 3,305,917	\$ 11,297,246
Unclaimed Property	22,348,728	24,443,953	24,113,500	23,903,500
Employees' Retirement System	9,841,650	11,281,927	10,850,356	10,850,356
Crime Victim Compensation	1,983,272	1,988,388	1,975,320	1,974,344
Subtotal	\$ 37,560,433	\$ 49,146,897	\$ 40,245,093	\$ 48,025,446
Expenditures by Category				
Salaries and Benefits	\$ 9,530,750	\$ 9,564,966	\$ 9,898,902	\$ 9,889,255
Contracted Services	3,930,250	5,703,205	4,853,850	4,853,850
Subtotal	\$ 13,461,000	\$ 15,268,171	\$ 14,752,752	\$ 14,743,105
Other State Operations	22,246,658	24,008,451	23,604,066	23,394,066
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,785,000	1,785,000	1,788,000	1,788,000
Capital	67,775	85,275	100,275	100,275
Capital Debt Service	-	-	-	-
Operating Transfers	-	8,000,000	-	8,000,000
Total	\$ 37,560,433	\$ 49,146,897	\$ 40,245,093	\$ 48,025,446
Sources of Funds				
General Revenue	\$ 2,736,231	\$ 2,733,044	\$ 2,708,339	\$ 2,698,692
Federal Aid	952,881	905,808	890,337	890,337
Restricted Receipts	33,320,911	36,859,237	36,096,175	35,886,175
Other	550,410	8,648,808	550,242	8,550,242
Total	\$ 37,560,433	\$ 49,146,897	\$ 40,245,093	\$ 48,025,446
FTE Authorization	88.0	87.0	87.0	87.0

Summary. The Office requests unconstrained expenditures of \$40.2 million, which is \$2.7 million more than enacted. This includes \$27,892 less from general revenues. The Office requests 87.0 full-time equivalent positions, 1.0 less than the authorized level based on current projections of staffing needs.

The Governor recommends \$48.0 million from all funds, which is \$7.8 million more than requested. This includes \$0.2 million less for unclaimed property to reflect the estimate of the November Revenue Estimating Conference and \$8.0 million more based on an audit finding to show tuition savings from the CollegeBoundSaver program used for state scholarships in the Office of Postsecondary Commissioner's budget as an operating transfer in the Office of the Treasurer's budget. General revenues are \$9,647 less than requested to reflect statewide benefit savings. She recommends 87.0 full-time equivalent positions as requested.

Target Issues. The Budget Office provided the Office with a general revenue target of \$2.5 million. The amount includes current service adjustments of \$18,271 and an 8.0 percent target reduction of \$220,360.

The Office did not submit a constrained budget. *The Governor's budget is \$0.2 million more than the target.*

FY 2018 Budget	Budget Office	Treasurer	Difference
FY 2017 Enacted	\$ 2,736,231	\$ 2,736,231	\$ -
Current Service Adjustments	18,271	(27,892)	(46,163)
<i>Change to FY 2017 Enacted</i>	\$ 18,271	\$ (27,892)	\$ (46,163)
FY 2018 Current Service/ Unconstrained Request	\$ 2,754,502	\$ 2,708,339	\$ (46,163)
Target Reduction/Initiatives	(220,360)	-	220,360
FY 2018 Constrained Target/Request	\$ 2,534,142	\$ 2,708,339	\$ 174,197
<i>Change to FY 2017 Enacted</i>	\$ (202,089)	\$ (27,892)	\$ 174,197

CollegeBoundSaver. The 2015 Assembly enacted legislation to transfer administrative responsibility of the tuition savings program to the Office of the General Treasurer from the Rhode Island Higher Education Assistance Authority. Prior to FY 2017, the investments were managed by AllianceBernstein. A contract for a new plan manager went out to bid during FY 2016 and a new plan manager was selected. The transition from AllianceBernstein to Ascensus and Invesco occurred on July 12, 2016. As part of the transition, the name of the plan was changed from the CollegeBound*fund* to CollegeBoundSaver. The enacted budget included \$0.3 million from tuition savings fees and 2.0 positions to administer the program. This included 1.0 new program director position but no funding. The FY 2018 request for \$0.3 million from tuition savings fees is \$23,363 more than enacted. The request reflects funding 1.8 full-time equivalent positions. Reductions to computers and software and dues and fees are consistent with the FY 2017 revised request and partially offset the additional personnel costs. *The Governor recommends funding as requested.*

CollegeBoundSaver Transfer to Office of Postsecondary Commissioner. The Office of Postsecondary Commissioner administers two state grant programs that are funded either in whole, or in part by tuition savings fees from the CollegeBoundSaver program. The state's Auditor General recently advised that Governmental Accounting Standards Board standards require the revenue transferred to the Office of Postsecondary Commissioner be matched by an expenditure in the Office of the General Treasurer's budget. Showing this transfer will double count the expenditures as it also appears in the budget of the Office of Postsecondary Commissioner. *Consistent with the FY 2017 revised budget recommendation, the Governor's budget includes \$8.0 million in operating transfers.*

Unclaimed Property Audits. Consistent with its revised request, the FY 2018 request includes \$0.4 million from restricted receipts for audit expenses for the Unclaimed Property program based on previous years' activities. This is \$0.1 million more than enacted. Auditors for the program identify accumulated unclaimed property at various businesses which is then remitted as revenues to the program. Expenditures for this service were \$409,915 and \$393,429 for FY 2015 and FY 2016, respectively. *The Governor recommends funding as requested.*

Unclaimed Property IT System. The FY 2018 request includes \$170,000 from restricted receipts for a full year of costs for a new computer system for the Unclaimed Property program. This is \$125,000 more than the enacted budget. The Office reports that the existing system, which is 16 years old, runs on an obsolete platform and vendor support is limited. The new system will have on-line holder reporting, an imaging platform, and the ability for claimants to file claims on-line and receive status updates in real-time. The revised request includes six months of costs. *The Governor recommends funding as requested.*

Unclaimed Property Transfer. The Office requests \$9.2 million for the transfer from unclaimed property to the state, \$23,608 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 \$0.4 million more than requested, which is consistent with the November estimate of \$9.6 million.*

Unclaimed Property Claims. The Office requests \$12.5 million for payment of unpaid property claims, which is consistent with the enacted budget. 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 funding as requested.*

Unclaimed Property Change in Claims Liability. The Office requests an increase of \$1.5 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 recommends \$0.6 million less than requested, which is consistent with the November estimate.*

Crime Victim Compensation. The FY 2018 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 and 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. *The Governor recommends funding as requested.*

Retirement System Personnel. The Office requests \$5.8 million from Retirement System restricted receipts to fund its 35.0 full-time equivalent positions, which is \$0.3 million more than enacted. This includes an additional \$0.2 million for several position upgrades including \$0.1 million for the chief investment officer position. The chief investment officer salary increase is based on a compensation analysis conducted before the position was posted in September. As of November 2016, the System has 2.0 vacant positions. The turnover savings in the FY 2018 request equates to one vacancy for three quarters. *The Governor recommends funding as requested.*

Retirement System Experience Study. The FY 2018 request removes \$0.1 million from Retirement System restricted receipts in the enacted budget allocated for an experience study. The Retirement System conducts an experience study every three years to evaluate the appropriateness of assumptions. The actuaries use the system's own experience where relevant and credible data is available. It uses population or general economic data such as inflation for other assumptions. The assumption changes are incorporated in future annual valuations that determine the rate required to support the defined benefit portion of the pension system. The actuaries will be conducting an experience study during the spring of 2017. *The Governor recommends funding as requested.*

Retirement System Computer Upgrades. The FY 2018 budget request for \$2.8 million from Retirement System restricted receipts for the implementation of a new computer system is \$0.9 million more than enacted. The additional funding will be used for data conversions and enhancements to the web portal. These enhancements will allow members to perform more "self-service" functions. The ultimate goal is for members to be able to view their defined benefit and defined contribution assets in a single web platform. The System began testing the new website with a small group of retirees during the summer of 2016. It plans to launch the system by the end of the calendar year. *The Governor recommends funding as requested.*

Retirement System E-Board Books. Based on a recommendation from the consultant conducting a review of the governance procedures of the Retirement Board, the Office requests \$55,000 from Retirement System restricted receipts to implement electronic board books for the Retirement Board. This is \$32,500 more

than enacted and represents a full year of funding. The new electronic board books will provide additional security of confidential financial and medical information on active and retired members that board members review for committee and subcommittee meetings. The FY 2017 revised request includes six months of funding. *The Governor recommends funding as requested.*

Other Retirement System. The Office requests \$1.9 million from Retirement System restricted receipts for all other expenses associated with the Retirement System. This is \$0.2 million less than enacted. The request includes \$60,000 less for insurance and \$38,000 less for office supplies, which is consistent with FY 2016 spending and the FY 2017 revised request. The FY 2018 request also includes \$0.1 million less for legal and actuarial services associated with the resolution of the pension litigation and settlement. *The Governor recommends funding as requested.*

Office of Debt Management. The FY 2018 request includes \$0.4 million from general revenues to fund the Office of Debt Management, which is \$47,565 less than enacted. The FY 2017 enacted budget added \$0.3 million to fund a new Office. The funding supports 1.9 full-time equivalent positions responsible for monitoring and managing the process by which the state and other governmental units issue and manage public debt. Funding also supports contracted services and technology upgrades for a public web portal to track Rhode Island's public debt and enhancements to the state's internal debt management software. The FY 2018 request includes turnover savings equivalent to 4.0 percent of salary and benefit costs; there are currently no vacancies. Additionally, it removes \$30,000 in one-time costs for FY 2017 for the debt affordability study and extensive legal review. *The Governor recommends \$1,307 less than requested to reflect statewide benefit savings and concurs with the remainder of the request.*

Other Salaries and Benefits. The Office requests \$3.7 million for FY 2018 for salaries and benefits for the 48.3 positions not previously mentioned. This is \$17,452 less than enacted and includes \$43,673 more from general revenues. The request reflects current service adjustments, as well as revisions to cost allocations between programs and position upgrades for several positions. It also reflects turnover savings equivalent to a 0.6 vacant position. As of the budget submission, the Office has 5.0 vacant positions. The request is 1.0 position less than the authorized level based on current projections of staffing needs. *The Governor recommends \$8,340 less than requested to reflect statewide benefit savings and concurs with the remainder of the request.*

Bank Fees. Consistent with its revised budget request, the FY 2018 request removes \$30,000 from general revenues for bank analysis charges based on the state's improving cash position and efforts to improve cash management techniques for the state's short term investments. The revised request is \$93,760 more than spent in FY 2016 and essentially the same as spent in FY 2015. Expenditures for FY 2018 would total \$245,000. *The Governor recommends funding as requested.*

Other Operations. The Office requests \$0.5 million for all other expenses, which is \$1,900 less than enacted including \$6,000 more from general revenues. A reduction of \$17,900 from federal funds reflects the end of a one-time grant for the Crime Victim Compensation program to digitalize records and enhance the claims processing. Those savings are partially offset by an additional \$6,000 from general revenues for postage and mailing for the crime victims program to reflect prior year expenditures and \$10,000 more from restricted receipts for unclaimed property advertising. *The Governor recommends funding as requested.*

Rhode Island Board of Elections

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,439,944	\$ 1,333,358	\$ 1,333,686	\$ 1,252,717
Contracted Services	79,883	133,788	83,788	83,788
Subtotal	\$ 1,519,827	\$ 1,467,146	\$ 1,417,474	\$ 1,336,505
Other State Operations	-	579,930	-	204,230
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	8,000	21,600	21,600	8,000
Capital Debt Service	-	-	-	-
Operating Transfers	454,880	-	204,230	-
Total	\$ 1,982,707	\$ 2,068,676	\$ 1,643,304	\$ 1,548,735
Sources of Funds				
General Revenue	\$ 1,982,707	\$ 2,068,676	\$ 1,643,304	\$ 1,548,735
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,982,707	\$ 2,068,676	\$ 1,643,304	\$ 1,548,735
FTE Authorization	12.0	12.0	12.0	12.0

Summary. The Rhode Island Board of Elections requests \$1.6 million from general revenues, or \$0.3 million less than enacted. The Board requests 12.0 full-time equivalent positions, which is consistent with the enacted authorization. *The Governor recommends \$1.5 million from general revenues, which is \$0.4 million less than enacted and \$0.1 million less than requested. She recommends 12.0 full-time equivalent positions.*

Target Issues. The Budget Office provided the Board with a general revenue target of \$1.5 million. The amount includes current service adjustments of \$0.4 million and an 8.0 percent target reduction of \$0.1 million. The Board's constrained budget request is \$0.2 million above the target. *The Governor's budget is \$0.1 million above the target provided by the Budget Office.*

FY 2018 Budget	Budget Office	Board of Elections	Difference
FY 2017 Enacted	\$ 1,982,707	\$ 1,982,707	\$ -
Current Service Adjustments	(394,270)	(394,270)	-
New Initiatives	-	54,867	54,867
Change to FY 2017 Enacted	\$ (394,270)	\$ (339,403)	\$ 54,867
FY 2018 Current Service/Unconstrained Request	\$ 1,588,437	\$ 1,643,304	\$ 54,867
Target Reduction/Initiatives	(127,075)	(21,675)	105,400
FY 2018 Constrained Target/Request	\$ 1,461,362	\$ 1,621,629	\$ 160,267
Change to FY 2017 Enacted	\$ (521,345)	\$ (361,078)	\$ 160,267

Campaign Finance Position (1.0 FTE). The Board of Elections requests \$0.1 million, or \$31,429 more than enacted from general revenues for a Campaign Finance position for which the enacted budget includes \$68,839. The position has been requested at a higher pay grade than assumed in the enacted budget since it will be responsible for ensuring compliance with the new campaign finance laws, which were enacted by the 2015 Assembly. The Board notes that it has not begun the process of filling the position because of workflow related to the elections, but it plans to fill it by the end of the third quarter of FY 2017. *The Governor recommends \$485 less than requested to reflect statewide benefit savings.*

Board Member Compensation. The Board requests \$65,420, or \$35,684 more than enacted from general revenues to increase compensation for the members of the Board. Presently, the Board is comprised of six members and there is one vacant position, which the Board expects to be appointed by April of 2017. Three of the members of the Board do not accept compensation since they receive a pension from the State of Rhode Island and therefore are not eligible to collect compensation. Each member of the Board who receives compensation receives an annual salary of \$7,000. The Board requests increase compensation for the members of the Board from \$7,000 to \$15,400 to be equal to the amount paid to state legislators. The change in compensation requires legislation. *The Governor does not recommend this proposal.*

Seasonal Staff. The Board is not requesting funding for seasonal staff to reflect that FY 2018 is an off-year in the two-year election cycle, during which fewer resources are needed. The FY 2017 enacted budget includes \$0.2 million for seasonal staff for the state's primary and Presidential elections in FY 2017. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Board requests \$1.2 million, or \$52,694 more than enacted from general revenues for all other salaries and benefits to fund the remaining 11.0 full-time equivalent positions during FY 2018. The Board currently has two vacancies, which include the executive director and the planning and program development specialist. The Board notes that its goal is to be fully staffed throughout FY 2018. The proposed increase restores \$31,964 of turnover savings assumed in the enacted budget and it includes \$20,730 of benefit adjustment, though it should be noted it appears that medical benefits are overstated.

The Governor recommends \$44,800 less than requested to fully fund the remaining 11.0 positions. This reflects \$5,952 of statewide benefit savings and removes \$16,000 of requested overtime expenses based on historical experience in non-election years and includes \$22,848 less to correctly budget medical benefits.

Legal Services. The Board requests \$70,000, or \$3,905 more than enacted from general revenues for legal services. FY 2018 is an off-year in the two-year election cycle, during which there is a considerable decrease in legal services required. The Board spent \$36,068, or \$16,068 more than enacted in FY 2014, the most recent off-year in the four-year election cycle and \$64,021 in FY 2016. *The Governor recommends funding as requested.*

Laptops. The Board requests \$21,600, or \$13,600 more than enacted from general revenues to purchase several laptops. The Board notes that during the election cycle some of its staff experienced multiple technical issues with several laptops that have become old and outdated.

The Board's constrained request excludes these funds. *The Governor does not include requested funding.*

Election Expenses. The Board requests \$0.2 million, or \$0.3 million less than enacted from general revenues for election supplies and expenses. The request includes expenses the Board requires in order to continue its operations during FY 2018, which is an off-year in the last two-year election cycle and fewer resources are needed. The request includes \$48,000 for software maintenance agreements, \$45,000 for printing expenses, \$35,000 for delivery expenses, \$20,000 for telecommunication expenses and \$10,000 for postage and postal services.

The reduction reflects \$0.1 million less for delivery and pick up of the voting equipment from the Board of Elections to designated polling places during election day; \$0.1 million less for printing of poll worker training manuals, signs, ballot applications, and election related instructions; \$30,000 less for postage and postal services; \$12,000 less for software upgrades and \$2,400 less for office supplies such as ink cartridges for the new voting equipment, supply boxes, training tables, labels to be posted on the voting equipment instructing voters the proper way to mark the ballot and other election cycle material.

The Board also submitted a constrained request that reduces waste disposal expenditures at an estimated savings of \$75. *The Governor recommends funding consistent with the unconstrained request.*

Rhode Island Ethics Commission

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,452,796	\$ 1,422,523	\$ 1,463,848	\$ 1,457,159
Contracted Services	27,000	35,000	32,275	32,001
Subtotal	\$ 1,479,796	\$ 1,457,523	\$ 1,496,123	\$ 1,489,160
Other State Operations	169,261	169,261	172,387	172,387
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	4,326	4,826	4,326	4,326
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,653,383	\$ 1,631,610	\$ 1,672,836	\$ 1,665,873
Sources of Funds				
General Revenue	\$ 1,653,383	\$ 1,631,610	\$ 1,672,836	\$ 1,665,873
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,653,383	\$ 1,631,610	\$ 1,672,836	\$ 1,665,873
FTE Authorization	12.0	12.0	12.0	12.0

Summary. The Ethics Commission requests FY 2018 expenditures of \$1.7 million, which is \$19,453 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 \$1.5 million, which is \$136,562 less from general revenues than the unconstrained request. *The Governor recommends \$1.7 million from general revenues, which is \$12,490 more than enacted and \$6,963 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 \$1,536,274, including current service adjustments of \$7,610 and an 8.0 percent reduction of \$124,719.

FY 2018 Budget	Budget Office	Ethics Commission	Difference
FY 2017 Enacted	\$ 1,653,383	\$ 1,653,383	\$ -
Current Service Adjustments	7,610	19,453	11,843
Change to FY 2017 Enacted	\$ 7,610	\$ 19,453	\$ 11,843
FY 2018 Current Service/Unconstrained Request	\$ 1,660,993	\$ 1,672,836	\$ 11,843
Target Reduction/Initiatives	(124,719)	(136,562)	(11,843)
FY 2018 Constrained Target/Request	\$ 1,536,274	\$ 1,536,274	\$ -
Change to FY 2017 Enacted	\$ (117,109)	\$ (117,109)	\$ -

The constrained budget submitted by the agency is consistent with the Budget Office target. The agency's proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$129,599 more than the target.*

Salaries and Benefits. The Commission requests \$1.5 million, which is \$11,052 more than enacted from general revenues for salary and benefit expenses to fully fund the authorized level of 12.0 full-time equivalent positions. The request reflects position grade changes and benefits consistent with the Budget Office's planning values. As of the pay period ending October 29, 2016, all positions were filled.

The Commission includes savings of \$124,322 in its constrained request to meet its target. This savings would be achieved by eliminating funding for the research aide and administrative assistant positions; both positions are currently filled.

The Governor recommends \$6,689 less than the unconstrained request to reflect statewide benefit savings based on updated rates.

Legal and Other Contracted Services. The Commission requests \$21,000 for legal services, which is \$5,000 more than enacted and consistent with its revised request.

The Commission reports in its budget submissions for both the revised and FY 2018 requests that it is no longer receiving a 15.0 percent courtesy discount from its independent legal counsel, Edmund Alves Jr. from Blish and Cavanagh, as provided in previous years. The Commission believes it will experience an increase in advisory opinions and complaints, as well as potential litigation from the recent ballot measure restoring authority over legislative activities.

The Commission's constrained request excludes \$3,000 of this increase. *The Governor adds \$4,726 for legal services, which is \$274 less than requested and \$556 more than her revised recommendation for FY 2017.*

Other Operations. The Commission requests \$187,988 from general revenues, which is \$3,401 more than enacted for other operations, more than half of this, or \$102,500, is rent paid for office space. The request includes \$3,000 less for information technology services, \$3,100 more for transcription services, \$1,042 more for rental, \$686 more for postage and postal services, and \$1,573 more for all other expenses. With the exception of information technology savings, the request is largely consistent with its revised FY 2017 request.

The request includes \$3,000 less for development, support, and maintenance for online filings for annual financial statement submissions to reflect a reduction in filing fees paid on each financial disclosure statement filed online. Beginning with the 2016 financial disclosure statements, to be filed by April 28, 2017, the cost charged to the agency drops from \$2.50 per filing to \$0.50 per online filing. Statements filed for past years will still incur the \$2.50 fee.

As part of its constrained request, the Commission proposes operating reductions totaling \$9,240 from general revenues, including the exclusion of funding for conference participation. The Commission additionally proposes reductions of \$1,000 each from information technology purchases, print advertising, and staff training. The constrained request also includes \$1,429 less for electricity, which reflects FY 2015 and FY 2016 expenditures. *The Governor recommends funding as requested, and does not include the reduction in the constrained request.*

Office of the Governor

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 4,554,702	\$ 4,547,115	\$ 4,883,741	\$ 4,861,187
Contracted Services	500	500	500	500
Subtotal	\$ 4,555,202	\$ 4,547,615	\$ 4,884,241	\$ 4,861,687
Other State Operations	265,967	557,967	265,967	265,967
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	\$ 5,091,069	\$ 5,375,482	\$ 5,420,108	\$ 5,397,554
Sources of Funds				
General Revenue	\$ 5,091,069	\$ 5,375,482	\$ 5,420,108	\$ 5,397,554
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 5,091,069	\$ 5,375,482	\$ 5,420,108	\$ 5,397,554
FTE Authorization	45.0	45.0	45.0	45.0

Summary. The Office of the Governor requests FY 2018 expenditures of \$5.4 million from general revenues and staffing of 45.0 full-time equivalent positions. This is \$329,039 more than enacted and staffing consistent with the authorized level. Adjusted for a significant increase in personnel costs allocated to other agencies, the request is \$1.0 million more than enacted. *The Governor concurs, with the exception of providing \$22,554 less from general revenues to reflect statewide benefit savings.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$4.7 million. The amount includes current service adjustments of \$18,351, and an 8.0 percent target reduction of \$0.4 million. The Office of the Governor did not submit a constrained budget. The request is \$0.7 million more than the target. *The recommendation is \$0.7 million more than the target.*

FY 2018 Budget	Budget Office	Office of the Governor	Difference
FY 2017 Enacted	\$ 5,091,069	\$ 5,091,069	\$ -
Current Service Adjustments	18,351	18,351	-
New Initiatives	-	310,688	310,688
Change to FY 2017 Enacted	\$ 18,351	\$ 329,039	\$ 310,688
FY 2018 Current Service/ Unconstrained Request	\$ 5,109,420	\$ 5,420,108	\$ 310,688
Target Reduction/Initiatives	(408,754)	-	408,754
FY 2018 Constrained Target/Request	\$ 4,700,666	\$ 5,420,108	\$ 719,442
Change to FY 2017 Enacted	\$ (390,403)	\$ 329,039	\$ 719,442

Staff Allocation to Other Agencies. The Office's request lowers direct expenditures by \$0.8 million from general revenues to reflect its plans to allocate personnel expenditures to other state agencies, which is \$0.7 million more than enacted. The Office reports that it provides staff support to agencies for various initiatives, such as Real Jobs RI and RhodeWorks. It proposes allocating the cost of these staff members to the agencies to reflect time spent on these initiatives. This proposal shifts some personnel costs from the Office of the Governor to eight other state agencies, including the Departments of Administration, Elementary and Secondary Education, Labor and Training, Public Safety, and Transportation, as well as Executive Office of Commerce, Executive Office of Health and Human Services, and the Office of Postsecondary Commissioner. The enacted budget assumes cost allocations of \$0.1 million, equivalent to 0.5 full-time positions; the request proposes allocating costs equivalent to 5.3 positions, or 4.8 more than enacted. *The Governor recommends funding as requested.*

Other Salaries and Benefits. Excluding staff allocations noted above, the Office requests expenditures of \$4.9 million from general revenues for salary and benefit expenses for the remaining 39.7 full-time equivalent positions. This is \$1.0 million or 22.3 percent more than enacted and staffing consistent with the authorized level. This reflects a \$0.7 million reduction to turnover savings and \$0.3 million more for all other salaries and benefits, including \$18,351 for employee benefit rate adjustments. The request funds approximately 8 positions more than assumed in the enacted budget. *The Governor recommends \$22,554 less than requested to reflect statewide benefit savings.*

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 \$79,146. *The Governor recommends funding as requested.*

All Other Operations. Consistent with the revised request, the Office requests FY 2018 expenditures of \$0.3 million from general revenues for all other operations. This is also consistent with the enacted budget. *The Governor recommends funding as requested.*

Rhode Island Commission for Human Rights

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,308,501	\$ 1,351,222	\$ 1,414,604	\$ 1,409,431
Contracted Services	8,550	24,370	9,250	9,250
Subtotal	\$ 1,317,051	\$ 1,375,592	\$ 1,423,854	\$ 1,418,681
Other State Operations	264,372	270,416	271,421	271,421
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,581,423	\$ 1,646,008	\$ 1,695,275	\$ 1,690,102
Sources of Funds				
General Revenue	\$ 1,258,128	\$ 1,247,603	\$ 1,354,241	\$ 1,258,074
Federal Aid	323,295	398,405	341,034	432,028
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,581,423	\$ 1,646,008	\$ 1,695,275	\$ 1,690,102
FTE Authorization	14.5	14.5	14.5	14.5

Summary. The Commission for Human Rights requests FY 2018 expenditures of \$1.7 million, which is \$0.1 million more than the FY 2017 enacted budget, including \$0.1 million more from general revenues. The request includes 14.5 full-time equivalent positions, consistent with the enacted authorization.

The Commission also submitted a constrained request that totals \$1.3 million and includes \$0.1 million less from general revenues than the unconstrained request. The savings in the constrained request would be achieved through the elimination of 1.3 full-time equivalent positions.

The Governor recommends \$1.7 million from all funds, which is \$5,173 less than the unconstrained request. It is \$96,167 less than requested from general revenues to reflect shifting staffing costs from general revenues to available federal funds.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$1.2 million. The amount includes current service adjustments of \$13,026 and an 8.0 percent target reduction of \$0.1 million. The target did not include the pay increases approved at the end of FY 2016. The Commission's constrained budget is \$82,841 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 above the target.*

FY 2018 Budget	Budget Office	Commission for Human Rights	Difference
FY 2017 Enacted	\$ 1,258,128	\$ 1,258,128	\$ -
Current Service Adjustments	13,026	96,113	83,087
<i>Change to FY 2017 Enacted</i>	\$ 13,026	\$ 96,113	\$ 83,087
FY 2018 Current Service/Unconstrained Request	\$ 1,271,154	\$ 1,354,241	\$ 83,087
Target Reduction/Initiatives	(85,384)	(85,630)	(246)
FY 2018 Constrained Target/Request	\$ 1,185,770	\$ 1,268,611	\$ 82,841
<i>Change to FY 2017 Enacted</i>	\$ (72,358)	\$ 10,483	\$ 82,841

Federal Receipts. The Commission's budget request assumes that federal receipts available to be spent in FY 2018 total \$331,034. The enacted budget includes expenses totaling \$323,295 leaving a surplus of \$7,739 for FY 2018. *The Governor's budget assumes \$432,028 in available federal receipts for FY 2018, which is \$100,994 more than requested based on revised estimates for FY 2017.*

Pay Increases. The Commission requests \$107,822 from all funds for agency-wide pay increases that went into effect at the end of FY 2016 after approval from the Department of Administration and a public hearing process consistent with current law requirements. This includes \$92,965 from general revenues and \$14,857 from federal funds. *The Governor recommends pay increases as requested but funds them exclusively from federal funds based on the revised federal funds estimate.*

Other Salaries and Benefits. The Commission requests \$1.4 million from all funds for all other salaries and benefits exclusive of the pay increases mentioned above. This is \$1,719 less than enacted from all funds including \$11,057 more from general revenues and \$12,776 less from federal funds. This reflects turnover savings from filling a position at a lower rate than the incumbent and charging a larger portion of costs for a staff attorney to general revenues. As of November 2016, the Commission had 13.0 filled full-time equivalent positions, which is 1.5 fewer positions than authorized.

The Commission also submitted a constrained request that includes \$0.1 million less from general revenues than the unconstrained request. The savings in the constrained request would be achieved through the elimination of 1.3 full-time equivalent positions. The Commission noted that this could lead to a drastic reduction in case processing, which would in turn lead to a loss of federal reimbursements for cases processed. The Commission estimates that its federal funds would decrease by \$66,468 for FY 2018.

The Governor recommends \$5,173 less than the unconstrained request including \$3,202 less from general revenues to reflect statewide benefit adjustments.

Other Operations. The Commission requests \$0.3 million from all sources for all other operations, including \$0.2 million from general revenues. The request is \$7,749 more than enacted from all funds including \$7,909 less from general revenues and \$15,658 more from federal funds. This reflects shifting a portion of general revenue expenditures to available federal funds. The request includes \$6,029 more for rent to reflect a five-year lease extension effective September 1, 2016 approved by 2016 General Assembly as part of the FY 2017 enacted budget and by the State Properties Committee at its August 30, 2016 meeting. There is also a \$4,100 increase in subscriptions consistent with FY 2016 spending. *The Governor recommends funding as requested.*

Public Utilities Commission

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 6,266,580	\$ 6,254,072	\$ 7,031,634	\$ 6,885,415
Contracted Services	1,658,525	1,868,525	1,651,075	1,651,075
Subtotal	\$ 7,925,105	\$ 8,122,597	\$ 8,682,709	\$ 8,536,490
Other State Operations	951,531	975,204	967,664	1,126,887
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	337	-	-	-
Capital	50,000	80,000	70,000	70,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 8,926,973	\$ 9,177,801	\$ 9,720,373	\$ 9,733,377
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	104,669	128,000	129,225	129,225
Restricted Receipts	8,822,304	9,049,801	9,591,148	9,604,152
Other	-	-	-	-
Total	\$ 8,926,973	\$ 9,177,801	\$ 9,720,373	\$ 9,733,377
FTE Authorization	51.0	54.0	57.0	57.0

Summary. The Public Utilities Commission requests FY 2018 expenditures of \$9.7 million, which is \$0.8 million more than enacted from all sources including \$24,556 more from federal funds and \$0.8 million more from restricted receipts. Restricted receipts are generated from billing the regulated utilities for expenses of both the Public Utilities Commission and the Division of Public Utilities and Carriers. The Commission requests 57.0 full-time equivalent positions, 6.0 more than the authorized level.

The Public Utilities Commission does not receive general revenue funding and was not required to meet a specific target set by the State Budget Office. *The Governor recommends \$9.7 million from all sources which is \$13,004 more than requested. The Governor recommends staffing as requested.*

Administrative Assistant (2.0 FTE). The Commission requests \$171,786 from restricted receipts and authorization for 2.0 new full-time equivalent administrative assistant positions. Both positions would work for senior staff on a variety of issues; one for the Division and one for the Commission. In addition to normal administrative duties, these positions would coordinate meetings and other projects, prepare documents for staff, and interact with consumers, expert witness consultants, and other state officials. The Commission anticipates several new large projects for the Division in the next 12 to 18 months including, but not limited to, a request for information for 5G broadband, Transportation Network Service Company rulemaking, and work related to its position as a stakeholder in the Rate Modernization docket(s). For the Commission, there is an anticipated increase in activity related to the Energy Facilities Siting Board, rate modernization, and grid modernization.

As of November 28, neither position is filled; however, the budget assumes that one of the positions will be hired October 30, 2016 and the other will be hired on March 5, 2017. *The Governor recommends funding and staffing as requested.*

Chief of Program Development (1.0 FTE). The Commission requests \$119,192 from restricted receipts and authorization for one new full-time chief of program development position. This position would be responsible for program development and research around net metering and net metering options. The position would also coordinate current and new programs with other state agencies such as the Office of Energy Resources and will be responsible for tracking national and state legislation and participating in the preparation of any requests for federal grants. It would also assist in the coordination, research and development of dockets for the Energy Facilities Siting Board. The FY 2017 revised request includes funding for one quarter of the fiscal year. *The Governor recommends funding and staffing as requested.*

Deputy Chief of Legal Services (1.0 FTE). The Commission requests \$129,669 from restricted receipts and authorization for one new full-time deputy chief of legal services position for the Division. The Division has noted that it has experienced an increase in consumer, administrative, and court proceedings for which it needs additional legal work. It should be noted that the 2016 Assembly added \$0.1 million for a new full-time senior legal counsel position for the Division, reflective of a reported increase in consumer utility termination proceedings that require the opening of formal termination dockets and of the number of formal decisions that are appealed to Superior Court. The Commission reported that although the Office of the Attorney General is statutorily obligated to represent the Division in all dockets and before the state's courts, the Office had refused to do so.

According to the Division, it handles approximately 700 informal consumer reviews and between 80 and 100 formal consumer reviews annually. Additionally, the Division is required by law to conduct formal evidentiary hearings on "termination" cases. The Division is similarly required to defend its related final written decisions before the Rhode Island Superior Court if and when appeals follow. *The Governor recommends funding and staffing as requested.*

Fiscal Management Officer (1.0 FTE). The Commission requests \$89,183 from restricted receipts and authorization for a new full-time fiscal management officer position for the Commission. This position would be responsible for fiscal and financial management functions relating to reporting within the Commission. The Commission currently relies on the Division to provide this information and does not have a position to perform these financial management functions. This position would also be responsible for assisting the Division's Chief Financial Analyst in the preparation of the annual budget and reporting requirements. It would be responsible for the compilation, analysis and presentation of data filed by the various public utilities with regard to tariffs, rate cases and annual, semi-annual and/or monthly financial reports. *The Governor recommends funding and staffing as requested.*

Regulatory Research Specialist (1.0 FTE). The Commission requests \$87,204 from restricted receipts and authorization for a new full-time regulatory research specialist position. This position would be responsible for conducting research involving the collection, analysis and presentation of data pertaining to the law, rules and regulations governing public utilities. This position would also be involved in the drafting of new legislation, tracking the development of bills submitted to the General Assembly and coordinating Commission and staff members on the positions to be taken on various bills. This position would also assist in the drafting of commission orders and determining problem areas that may require additional review and make recommendations for same.

The Commission indicates that it needs this position in part because of changes to the distribution system related to the recently amended state policies to add more distributed generation, net metering and net metering options. The Renewable Energy Growth Program includes new types of renewable energy systems and configurations that will be allowed through the program as of recent legislative changes. This

position would provide research of these and other programs. *The Governor recommends funding and staffing as requested.*

Other Salaries and Benefits. The Commission requests \$6.6 million for the salaries and benefits of the remaining 51.0 positions. This is \$0.2 million more than enacted and reflects updated planning values and the anticipated filling of all vacant positions in FY 2017. The request restores \$0.1 million of turnover savings included in the enacted budget. As of the pay period ending November 26, 2016, the Commission had 3.0 vacancies. *The Governor recommends \$0.1 million less than requested to reflect staffing consistent with FY 2016 experience. It represents 1.2 vacant positions. As of the pay period ending January 21, 2017, the Commission had 2.0 vacancies.*

Energy Facility Siting Board. The Commission requests the enacted amount of \$125,000 from restricted receipts to support the work of the Energy Facility Siting Board. The Energy Facility Siting Board regulates the issuance of licenses to construct major energy facilities. All expenditures related to the investigation are billed back to the applicants. Funding is primarily used for expert witnesses, stenographers, print advertising notices and advisory opinions. *The Governor recommends funding as requested.*

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 \$0.3 million from restricted receipts for expert and consultant services associated with the state's renewable energy standard. This is \$14,500 more than enacted and \$0.2 million more than spent in FY 2016. The Commission typically over-estimates these expenditures in its requests, as the number and type of applications, petitions, and reviews to be heard determine the scope of necessary legal and other expert services. As its contracted services needs change on an ongoing basis, the Commission reports it cannot predict with certainty the funding required each year. Expenditures have historically been significantly lower than enacted. *The Governor recommends funding as requested.*

Rent. The Commission's headquarters are in a state-owned building in Warwick. The Commission annually transfers \$173,040 from its restricted receipts generated from billing the regulated utilities to the general fund for rent. Rent for this property has been deposited as general revenues since 2004. Prior to that, proceeds went to the sinking fund for debt defeasance as it was a former asset of the Depositors Economic Protection Corporation. *The Governor proposes increasing the charge to \$333,420 and her budget includes an additional \$160,380 in revenue from this. The Commission's budget includes a like expenditure.*

All Other Operations. The Commission requests \$1.1 million from all sources, which is \$13,846 more than enacted for all other operations. This includes \$317 less from federal funds and \$14,163 more from restricted receipts. Reductions in contracted services align the budget more closely to FY 2016 actual spending and were used to partially offset increase spending for supplies, repairs and computer purchases. *The Governor recommends \$1,157 less than requested for insurance based on updated cost estimates.*

Executive Office of Health and Human Services

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 146,441,762	\$ 170,756,679	\$ 148,780,115	\$ 111,560,795
Medical Assistance	2,251,750,823	2,318,276,974	2,317,457,063	2,354,484,953
Total	\$ 2,398,192,585	\$ 2,489,033,653	\$ 2,466,237,178	\$ 2,466,045,748
Expenditures by Category				
Salaries and Benefits	\$ 22,892,326	\$ 24,241,560	\$ 24,277,705	\$ 24,262,548
Contracted Services	92,921,539	116,436,833	94,933,308	57,729,145
Subtotal	\$ 115,813,865	\$ 140,678,393	\$ 119,211,013	\$ 81,991,693
Other State Operations	6,074,864	7,252,294	7,976,205	7,976,205
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,275,900,315	2,340,116,880	2,338,123,002	2,375,150,892
Capital	403,541	986,086	926,958	926,958
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,398,192,585	\$ 2,489,033,653	\$ 2,466,237,178	\$ 2,466,045,748
Sources of Funds				
General Revenue	\$ 936,987,012	\$ 945,360,040	\$ 978,825,348	\$ 938,634,987
Federal Aid	1,447,676,171	1,527,858,521	1,469,854,561	1,506,283,492
Restricted Receipts	13,529,402	15,815,092	17,557,269	21,127,269
Other	-	-	-	-
Total	\$ 2,398,192,585	\$ 2,489,033,653	\$ 2,466,237,178	\$ 2,466,045,748
FTE Authorization	179.0	178.0	179.0	269.0

Summary. The Executive Office requests \$2,466.2 million from all sources including \$978.8 million from general revenues, \$1,469.9 million from federal funds and \$17.6 million from restricted receipts and a staffing level of 179.0 in its current services request. The request is \$68.0 million more than enacted, including \$41.8 million more from general revenues, \$22.2 million more from federal funds and \$4.0 million more from restricted receipts.

The Executive Office's constrained request lowers medical assistance expenditures by \$159.7 million from all sources, including \$72.3 million from general revenues, \$89.3 million from federal funds and adds \$1.9 million more from restricted receipts. It does not make any reductions in the Central Management program.

The Governor recommends \$2,466.0 million from all funds and \$938.6 million from general revenues. This is \$67.9 million more than enacted, including \$1.6 million more from general revenues. Her recommendation is \$81.5 million less than the conference estimate, including \$38.2 million less from general revenues; it is also \$81.8 million less than the requested, including \$46.4 million less from general revenues. She includes 269.0 positions, 90.0 more than enacted to reflect the transfer of 91.0 finance positions to the Executive Office and the elimination of another.

Note to Reader. There is a separate Medicaid report in the Special Reports section of this publication with more extensive detail on Medicaid spending, benefits, programs, rules and comparisons.

Target Issues. The Budget Office provided the Executive Office with a general revenue target of \$902.5 million. The amount includes current service adjustments of \$44.0 million and an 8.0 percent target reduction of \$78.5 million.

FY 2018 Budget	Ex. Off. of Health &		
	Budget Office	Human Services	Difference
FY 2017 Enacted	\$ 936,987,012	\$ 936,987,012	\$ -
Current Service Adjustments	43,974,066	41,838,336	(2,135,730)
Change to FY 2017 Enacted	\$ 43,974,066	\$ 41,838,336	\$ (2,135,730)
FY 2018 Current Service/Unconstrained Request	\$ 980,961,078	\$ 978,825,348	\$ (2,135,730)
Target Reduction/Initiatives	(78,476,886)	(72,302,358)	6,174,528
FY 2018 Constrained Target/Request	\$ 902,484,192	\$ 906,522,990	\$ 4,038,798
Change to FY 2017 Enacted	\$ (34,502,820)	\$ (30,464,022)	\$ 4,038,798

The constrained budget submitted by the agency is \$4.0 million above the target. It should be noted that the Executive Office's constrained budget eliminates the Rhody Health Options program but continues to take additional savings from the program which overstates how it meets its constrained target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$36.2 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 Executive Office of Health and Human Services. The 2017 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income										
Family Size	100%	125%	138%	150%	175%	180%	185%	200%	225%	250%
1	\$ 12,060	\$ 15,075	\$ 16,643	\$ 18,090	\$ 21,105	\$ 21,708	\$ 22,311	\$ 24,120	\$ 27,135	\$ 30,150
2	16,240	20,300	22,411	24,360	28,420	29,232	30,044	32,480	36,540	40,600
3	20,420	25,525	28,180	30,630	35,735	36,756	37,777	40,840	45,945	51,050
4	24,600	30,750	33,948	36,900	43,050	44,280	45,510	49,200	55,350	61,500
5	28,780	35,975	39,716	43,170	50,365	51,804	53,243	57,560	64,755	71,950
6	32,960	41,200	45,485	49,440	57,680	59,328	60,976	65,920	74,160	82,400
7	37,140	46,425	51,253	55,710	64,995	66,852	68,709	74,280	83,565	92,850
8	41,320	51,650	57,022	61,980	72,310	74,376	76,442	82,640	92,970	103,300

For families with more than 8 members, add \$4,180 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 Medicaid and CHIP Payment and Access Commission (MACPAC) MACStats Data Book (December 2015). It shows spending for all enrollees, including individuals who receive Medicare and for whom the state provides a partial Medicaid benefit, including co-payments, deductibles and Part D drug coverage. Full benefit enrollees have access to all Medicaid benefits. It also divides the enrollees into population groups.

Rhode Island's spending on children and parents (adults), primarily through RItE Care, is higher than the national average. There are not many who receive only a partial benefit; therefore, there is little difference between the two comparisons. The Medicaid expenses for these populations are in the Executive Office of Health and Human Services' budget.

For disabled individuals, expenses for this population appear in the budgets of the Executive 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. Costs for this population are also above the national average when comparing only full-benefits enrollees and all enrollees.

Finally, expenses for the aged population are also higher when comparing both the full benefit enrollees and all enrollees. Because of the availability of Medicare for this population, roughly 20 percent of the total population served does not receive a full benefit. Expenses supporting this population are in the budgets of the Executive Office of Health and Human Services and the Department of Human Services.

Medicaid Expenses/Cost Per Enrollee				
	All Enrollees		Full Benefit Enrollees	
Population	US	RI	US	RI
Children	\$ 2,679	\$ 4,256	\$ 2,696	\$ 4,254
Adults	4,044	7,677	4,696	7,726
Blind/Disabled	17,848	20,625	19,660	21,321
Aged	15,346	18,357	19,563	21,304
Average	\$ 6,833	\$ 10,689	\$ 7,482	\$ 10,978

Source: MACStats: Medicaid and CHIP Data Book December 2015; Medicaid Benefit Spending for FY 2012; in millions

The Medicaid and CHIP Payment and Access Commission (MACPAC) has published the December 2016 data with information for FY 2013 spending; however, the information excludes Rhode Island as it is footnoted in the report that “states were excluded due to data reliability concerns regarding the completeness of monthly claims and enrollment data.” Other states excluded are Idaho and Louisiana.

Caseload Estimating Conference. The medical and caseload assistance estimating conference, as outlined in Rhode Island General Law, Section 35-17 meets at least twice a year, November and May, to provide for a more stable and accurate method of financial planning and budgeting. The conference estimators take testimony from the Executive Office for medical assistance expenses, including long-term care, managed care programs, hospitals, pharmacy and other medical services. The Department of Human Services provides testimony for Rhode Island Works, Supplemental Security Income state program, general public assistance, and child care. The separate agencies report a preliminary estimate in testimony, which forms the basis for the estimate adopted by the State Budget Officer and House and Senate Fiscal Advisors.

The estimates are based only on current law and practice. The November Caseload Estimating Conference adopted estimate is the starting point for the Governor’s revised and budget year recommendations. Any changes in the Governor’s budgets for either medical assistance or cash assistance must represent a status or policy change not contemplated in the current law estimate. Any expenditures changes in the May estimate are incorporated into the final appropriation adjusting for any changes made by the Assembly.

Medical Assistance

The Caseload Estimating Conference met on November 7, 2016 and based on current law, set the FY 2018 medical assistance expenditures at \$2,414.1 million, including \$952.3 million from general revenues, which is \$162.3 million more than enacted from all sources and \$47.9 million more from general revenues. The conference estimate did not include the Health Information Systems Transformation project for which the state was recently awarded the opportunity to leverage \$130 million from Medicaid funds using funds spent by the University of Rhode Island, Rhode Island College and the Community College of Rhode Island since it is not an entitlement.

The following table itemizes medical assistance expenditures in FY 2015 and FY 2016, as enacted by the 2016 Assembly, adopted by the caseload estimators, and recommended by the Governor. Each category is discussed separately.

Medical Assistance	FY 2015 Spent	FY 2016 Spent	FY 2017 Enacted*	FY 2017 Revised	FY 2018 Nov. CEC	FY 2018 Gov. Rec.
Hospitals						
Regular Payments	\$ 75.7	\$ 61.6	\$ 48.8	\$ 59.1	\$ 60.0	\$ 47.3
DSH Payments	138.3	140.5	140.5	140.5	139.7	139.7
Total	\$ 214.0	\$ 202.1	\$ 189.3	\$ 199.6	\$ 199.7	\$ 187.0
Long Term Care						
Nursing and Hospice Care	\$ 181.0	\$ 175.3	178.4	\$ 177.0	\$ 183.0	\$ 170.2
Home and Community Care	68.5	63.6	\$ 67.4	56.4	60.7	70.7
Total	\$ 249.4	\$ 238.9	\$ 245.8	\$ 233.4	\$ 243.7	\$ 240.9
Managed Care						
Rlte Care	\$ 557.5	\$ 562.4	\$ 533.5	\$ 593.9	\$ 610.3	\$ 593.7
Rlte Share	6.9	8.1	9.4	7.1	7.5	7.5
Fee For Service	57.8	73.4	69.6	56.1	54.8	54.8
Total	\$ 622.2	\$ 643.9	\$ 648.0	\$ 657.1	\$ 672.5	\$ 655.9
Rhody Health Partners	\$ 260.7	\$ 211.3	\$ 251.0	\$ 240.4	\$ 247.0	\$ 242.9
Rhody Health Options	\$ 273.9	\$ 303.7	\$ 338.6	\$ 347.9	\$ 363.6	\$ 331.8
Pharmacy	\$ (1.2)	\$ (1.0)	\$ (1.3)	\$ (0.9)	\$ (0.9)	\$ (0.9)
Pharmacy Part D Clawback	\$ 50.1	\$ 53.1	\$ 57.5	\$ 59.2	\$ 64.7	\$ 64.7
Medicaid Expansion	\$ 411.0	\$ 374.3	\$ 390.9	\$ 450.0	\$ 504.0	\$ 497.0
Other Medical Services	\$ 110.7	\$ 137.9	\$ 94.1	\$ 112.5	\$ 119.8	\$ 116.2
Federal Funds	\$ 1,309.2	\$ 1,270.2	\$ 1,300.0	\$ 1,377.2	\$ 1,452.1	\$ 1,410.6
General Revenues	888.8	883.4	904.4	912.5	952.3	911.7
Restricted Receipts	11.4	10.5	9.6	9.6	9.6	13.2
Total**	\$ 2,190.7	\$ 2,164.1	\$ 2,214.0	\$ 2,299.3	\$ 2,414.1	\$ 2,335.5

*Does not reflect funding for Health Systems Transformation program that is not part of the caseload estimate

**Expenditures in millions

The Executive Office submits a FY 2018 constrained request of \$2,157.8 million, of which \$876.0 million is from general revenues, that is \$159.7 million less than requested from all sources and \$72.3 million less from general revenues. The constrained request is also \$256.3 million less than the adopted estimate, including \$73.3 million less from general revenues. The following tables shows the changes by program compared to the request.

Program	Constrained Budget Savings			Governor's Recommendation		
	General Revenues	Federal Funds	Total	General Revenues	Federal Funds	Total
Hospitals	\$ 7.2	\$ 9.5	\$ 16.6	\$ (6.5)	\$ (6.3)	\$ (12.7)
Long Term Care	88.2	91.0	179.2	(1.4)	(1.4)	(2.8)
Managed Care	(20.0)	(20.6)	(40.6)	(9.6)	(7.0)	(16.6)
Rhody Health Partners	(5.3)	(5.5)	(10.8)	(2.0)	(2.1)	(4.1)
Rhody Health Options	(186.4)	(192.3)	(378.7)	(15.4)	(16.3)	(31.7)
Medicaid Expansion	(1.2)	(19.9)	(21.0)	(0.4)	(6.6)	(7.0)
Pharmacy	2.3	2.4	4.7	-	-	-
Other Medical Services	42.9	48.1	91.0	(5.3)	1.7	(3.6)
Total	\$ (72.3)	\$ (87.4)	\$ (159.7)	\$ (40.6)	\$ (38.0)	\$ (78.6)

Note: There are 17 proposals with 10 that impact multiple programs in the EOHHS constrained request; each proposal is discussed in the appropriate section. The Governor's action to accept or reject is noted for each item.

The Executive Office's request includes 13 savings proposals that impact the medical assistance program. Some of the initiatives impact only one program, but most cross multiple programs, including hospitals, long term care, Rlte Care, Rhody Health Partners, Medicaid expansion and Rhody Health Options. The

Executive Office's request includes savings of \$90.0 million from all funds, including \$36.5 million from general revenues from a provider rate freeze and a three percent provider rate reduction that impacts hospitals, nursing facilities, professional services and administrative payments to the managed care plans; this is 43.2 percent of the savings. All the savings proposals are shown separately in the following tables and further explained in the appropriate program sections.

Proposal	Hospitals		Long Term Care		Managed Care Programs		Pharmacy/Other Medical Services		Total		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Integrated Care Initiative	\$ 16.8	\$ 34.2	\$ 95.3	\$ 193.6	\$ (173.8)	\$ (353.2)	\$ 49.4	\$ 100.3	\$ (12.4)	\$ (25.1)	Accepted*
Rate Freeze	(0.3)	(0.7)	(2.7)	(5.5)	(11.3)	(29.0)	(1.3)	(2.6)	(15.6)	(37.8)	Accepted*
Rate Reductions	(0.5)	(1.0)	(2.6)	(5.4)	(16.7)	(43.8)	(1.0)	(2.1)	(20.9)	(52.3)	Accepted*
Nursing Home Utilization	-	-	(1.0)	(2.0)	(3.1)	(6.3)	-	-	(4.1)	(8.3)	Accepted*
Patient Liability Payments	-	-	(0.7)	(1.5)	(0.7)	(1.5)	-	-	(1.5)	(3.0)	Accepted*
Federally Qualified Health Centers - Wrap Around Payments	-	-	-	-	(1.0)	(2.5)	-	-	(1.0)	(2.5)	Accepted*
Program Integrity - Residency	-	-	-	-	(0.5)	(1.0)	-	-	(0.5)	(1.0)	Accepted
Provider Incentive Payments	-	-	-	-	(1.5)	(3.0)	-	-	(1.5)	(3.0)	Accepted*
Performance Goal Program	-	-	-	-	(2.0)	(6.3)	-	-	(2.0)	(6.3)	Accepted*
Upper Payment Limit Reimbursements	(6.8)	(13.8)	-	-	-	-	-	-	(6.8)	(13.8)	Accepted*
Graduate Medical Education	(2.0)	(2.0)	-	-	-	-	-	-	(2.0)	(2.0)	Accepted
Children's Health Account	-	-	-	-	-	-	(1.9)	-	(1.9)	-	Accepted*
Katie Beckett Program	-	-	-	-	(2.3)	(4.6)	-	-	(2.3)	(4.6)	Rejected
Total (millions)	\$ 7.2	\$ 16.6	\$ 88.2	\$ 179.2	\$ (212.8)	\$ (451.2)	\$ 45.2	\$ 95.7	\$ (72.3)	\$ (159.7)	

*Savings were changed or partially accepted in the Governor's recommended

The Governor recommends \$2,354.5 million, including \$991.7 million from general revenues; she includes \$78.6 million in savings, including \$40.6 million from general revenues in the medical assistance program.

Constrained Budget Proposals - Managed Care Benefits

Managed care benefits savings of \$451.2 million, including \$212.8 million from general revenues are from 15 proposals in the four programs. The savings are shown by proposal and program in the following table.

Managed Care Benefits	Managed Care		Rhody Health		Rhody Health		Medicaid Expansion		Total		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Integrated Care Initiative	\$ -	\$ -	\$ -	\$ -	\$ (173.8)	\$ (353.2)	\$ -	\$ -	\$ (173.8)	\$ (353.2)	Accepted*
Nursing Home Utilization	-	-	-	-	(3.1)	(6.3)	-	-	(3.1)	(6.3)	Accepted*
Nursing Facilities Rate Reduction	-	-	-	-	(2.7)	(5.5)	-	-	(2.7)	(5.5)	Accepted*
Nursing Facilities Rate Freeze	-	-	-	-	(2.8)	(5.7)	-	-	(2.8)	(5.7)	Accepted*
Patient Liability Payments	-	-	-	-	(0.7)	(1.5)	-	-	(0.7)	(1.5)	Accepted*
Professional Services Rate Reduction	(3.1)	(6.3)	(0.9)	(1.9)	(1.4)	(2.9)	(0.2)	(3.3)	(5.6)	(14.3)	Rejected
Professional Services Rate Freeze	(2.5)	(5.0)	(0.8)	(1.5)	(1.1)	(2.3)	(0.1)	(2.6)	(4.5)	(11.5)	Rejected
Federally Qualified Health Centers - Incentive Payments	(0.9)	(1.9)	-	-	-	-	(0.0)	(0.6)	(1.0)	(2.5)	Accepted*
Program Integrity - Residency	(0.5)	(1.0)	-	-	-	-	-	-	(0.5)	(1.0)	Accepted
Provider Incentive Payments	(1.5)	(3.0)	-	-	-	-	-	-	(1.5)	(3.0)	Accepted
Performance Goal Program	(1.6)	(3.3)	(0.3)	(0.5)	-	-	(0.1)	(2.4)	(2.0)	(6.3)	Accepted*
Managed Care Administrative Rate	(1.2)	(2.5)	(0.5)	(1.1)	(0.6)	(1.3)	(0.1)	(1.7)	(2.5)	(6.6)	Accepted*
Hospital Rate Reduction	(3.8)	(7.7)	(1.7)	(3.4)	-	-	(0.3)	(6.2)	(5.8)	(17.4)	Accepted
Hospital Rate Freeze	(2.6)	(5.2)	(1.2)	(2.3)	-	-	(0.2)	(4.2)	(4.0)	(11.8)	Accepted*
Katie Beckett Program	(2.3)	(4.6)	-	-	-	-	-	-	(2.3)	(4.6)	Rejected
Total (millions)	\$ (20.0)	\$ (40.6)	\$ (5.3)	\$ (10.8)	\$ (186.4)	\$ (378.7)	\$ (1.2)	\$ (21.0)	\$ (212.8)	\$ (451.2)	

*Savings were changed or only partially accepted in the Governor's recommended

Of the \$451.2 million in savings, three proposals impact benefits across managed care programs and those proposals are discussed in the following sections as well as noted again in the program sections. There are also nine that impact both managed care and fee-for-service programs and also three proposals that affect a single program that are discussed only in the program sections in this analysis.

The three that impact the managed care plans are discussed in the next section. *The Governor recommends savings of \$36.3 million, including \$18.7 million from general revenues in the managed care and expansion programs.*

Federally Qualified Health Centers Wrap Around Payment. The Executive Office includes savings of \$2.5 million from all sources, including \$1.0 million from general revenues for moving all expenses paid to the federally qualified community health centers into the managed care plans. The state pays approximately \$49.0 million annually for services provided to Medicaid beneficiaries through the health centers with \$25.8 million as part of the managed care rates and the remaining \$23.2 million as fee-for-service “wrap around” payments. State reimbursements made to the health plans are subject to a final year settlement process where any expenses incurred above the state reimbursement compared to the cost of the visit to the health plans is paid by the state. The Executive Office’s constrained request includes savings from the managed care plans having increased control over utilization and determining the appropriate place for delivery of services. The state is still required to monitor payments made by managed care plans to the health plans as required by federal law.

The Governor recommends \$3.0 million, including \$1.2 million from general revenues; she increases the requested savings by \$0.5 million, \$0.2 million from general revenues. The savings would be achieved through lower utilization of health centers for covered services than originally assumed in the Executive Office’s request.

Performance Goal Program. The November Caseload Estimate includes \$9.7 million, including \$3.1 million from general revenues for the program; this is consistent with testimony from the Executive Office. The Executive Office’s constrained budget includes savings of \$6.3 million, of which \$2.0 million is from general revenues, from eliminating the incentive program that establishes benchmark standards for quality and access to performance measures.

Rhode Island is the second state to implement a value-based purchasing initiative and FY 2018 will be the 20th year of the incentive program. The initiative eliminates \$1.50 per member per month allocation for those in RIte Care and \$3.00 per member per month for those individuals enrolled in Rhody Health Partners and the expansion program.

It should be noted that one of the tenets in the Governor’s Reinventing Medicaid platform is to pay for value and not volume and to: better coordination of mental and physical healthcare; better coordination of care through our managed care organizations and new provider partnerships; a continued emphasis to shift service delivery away from institutional care and toward community-based services; and better enforcement, through new electronic monitoring programs, of Medicaid rules to protect against waste and fraud.

The Governor assumes savings of \$1.6 million, including \$2.3 million from general revenues from this proposal but based on supporting documentation, there are two errors. The first is that reported savings is inclusive of an adjustment to the baseline caseload estimate that the Executive Office believes overstated the payments by \$3.2 million, including \$1.0 million from general revenues. This is inconsistent with the caseload estimate and should not have been adjusted.

The second is that not all federal funds are accounted for in the proposal. Excluding the errors, the proposal would lower expenses by \$0.8 million, including \$1.3 million from general revenues. This reflects

realizing a higher Medicaid match for some expenses and changing to a \$2.00 per member per month payment.

Constrained Budget Proposals - Fee-For-Service Benefits

Fee-for-service benefits increase by \$291.5 million from all sources, including \$140.5 million more from general revenues in the programs where the benefit is provided for on a fee-for-services basis. The table below shows those savings by proposal and program.

Fee-For-Service Benefits	Hospitals		Long Term Care		Pharmacy		Other Medical		Total		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Hospital Rate Reduction	\$ (0.5)	\$ (1.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.5)	\$ (1.0)	Accepted
Hospital Rate Freeze	(0.3)	(0.7)	-	-	\$ -	-	-	-	(0.3)	(0.7)	Accepted*
Upper Payment Limit Reimbursements	(6.8)	(13.8)	-	-	-	-	-	-	(6.8)	(13.8)	Accepted*
Graduate Medical Education	(2.0)	(2.0)	-	-	-	-	-	-	(2.0)	(2.0)	Accepted
Integrated Care Initiative	16.8	34.2	67.7	137.6	2.3	4.7	47.1	95.6	133.9	272.1	Accepted*
Integrated Care Initiative - Home and Community Based Care	-	-	22.6	45.9	-	-	-	-	22.6	45.9	Accepted*
Nursing Facilities Rate Freeze			(2.7)	(5.5)	-	-	-	-	(2.7)	(5.5)	Accepted*
Nursing Facilities Rate Reduction	-	-	(2.6)	(5.4)	-	-	-	-	(2.6)	(5.4)	Accepted*
Home & Community Care Investment	-	-	5.0	10.1	-	-	-	-	5.0	10.1	Accepted*
Nursing Home Utilization	-	-	(1.0)	(2.0)	-	-	-	-	(1.0)	(2.0)	Accepted*
Patient Liability Payments	-	-	(0.7)	(1.5)	-	-	-	-	(0.7)	(1.5)	Accepted*
Children's Health Account	-	-	-	-	-	-	(1.9)	-	(1.9)	-	Accepted*
Professional Services Rate Reduction	-	-	-	-	-	-	(1.0)	(2.1)	(1.0)	(2.1)	Rejected
Professional Services Rate Freeze	-	-	-	-	-	-	(1.3)	(2.6)	(1.3)	(2.6)	Rejected
Total (millions)	\$ 7.2	\$ 16.6	\$ 88.2	\$ 179.2	\$ 2.3	\$ 4.7	\$ 42.9	\$ 91.0	\$ 140.5	\$ 291.5	

*Savings were changed or partially accepted in the Governor's recommended budget.

Finally, there are nine proposals that impact programs in both the managed care and fee-for-service programs, including patient liability payments, and each is discussed as follows.

The Governor recommends savings of \$42.3 million, including \$21.9 million from general revenues in the fee-for-service programs.

Rhody Health Options Program. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs.

The elimination for the managed care program is \$353.2 million, including \$173.8 million from general revenues and shifts \$317.9 million from all sources, including \$156.4 million from general revenues, to the fee-for-service programs.

The Governor recommends savings of \$25.2 million, including \$12.3 million from general revenues from four proposals impacting the Rhody Health Options program through the Healthy Aging in the Community Initiative. The intent is to disenroll any nursing home residents with a stay over 90 days from Rhody Health Options and limit enrollment to those in the community or with a short term nursing home stay.

The following table shows each proposal in the Healthy Aging in the Community Initiative. Savings of \$16.2 million, including \$7.9 million from general revenues is from the proposal to disenroll those specific nursing home residents. There is also a proposal to reduce rates that are based on an individual's level of

need for savings of \$10.7 million, including \$5.2 million from general revenues. Another proposal assumes savings of \$5.1 million, including \$2.5 million from general revenues from reducing the number of residents in nursing facilities by 2.5 percent.

The savings total \$32.1 million, including \$15.6 million from general revenues, are offset by an increase of \$6.8 million, including \$3.3 million from general revenues from expanding services for those in the community to delay entry into a nursing facility.

Governor's Healthy Aging in the Community Initiative		
Proposal	General Revenues	All Funds
Integrated Care Initiative - Exclude Longer Term		
Nursing Home Residents from Managed Care	\$ (7,879,373)	\$ (16,192,712)
Nursing Facilities - Acuity Rate Reduction	(5,224,523)	(10,736,792)
Nursing Home Census - Reduce by 2.5%	(2,493,538)	(5,124,410)
Subtotal	\$ (15,597,434)	\$ (32,053,914)
Home and Community Based Service Expansion	3,313,141	6,808,756
Total	\$ (12,284,293)	\$ (25,245,158)

It should also be noted that the Governor includes a rate freeze to nursing facilities in addition to the rate reduction in the Healthy Aging in the Community Initiative, which is discussed separately.

Hospital Rate Freeze. The Executive Office proposes savings of \$12.5 million from all sources, including \$4.3 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 and requires a statutory change and a category II change under the Medicaid waiver. The FY 2014, FY 2015 and FY 2016 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 in the fee-for-service program, which pays the difference between Medicare and Medicaid payments if this proposal were to be accepted, and the proposal to eliminate the reimbursement is not. *The Governor recommends this proposal and includes Section 1 of Article 13 to make this change.*

Hospital Rate Reduction. The Executive Office proposes savings of \$18.4 million from all sources, including \$6.3 million from general revenues, from reducing rates paid to hospitals by three percent in the fee-for-service program which also 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 were to be accepted, and the proposal to eliminate the reimbursement is not.

The Governor assumes savings of \$2.6 million, including \$0.9 million from a one percent reduction starting January 1, 2018. This is a permanent rate reduction and she includes Section 1 of Article 13 to make this change.

Nursing Facilities Rate Freeze. The Executive Office's budget includes savings of \$11.2 million, of which \$5.5 million is from general revenues from eliminating the October 1, 2017 rate increase for the nursing facilities. This includes savings of \$5.5 million from all sources, including \$2.7 million from general revenues in the fee-for-service program. The rate freeze would result in lower revenues for nursing homes, which would lower taxes paid by \$0.3 million through the 5.5 percent assessment on a facility's

gross revenues for net savings of \$2.4 million. It should be noted that the rate freeze is also applied to expenses in the Rhody Health Options program, which the budget request eliminates so the overall savings is overestimated by \$2.3 million since the rate increase was calculated into the estimated program costs for FY 2018.

The November caseload estimate included \$10.5 million, of which \$5.1 million is from general revenues for statutory rate adjustments that impact FY 2018. This includes the following: \$8.6 million for the October 1, 2017 nursing home rate increase, of which \$4.2 million is from general revenues; \$0.8 million for the same rate increase for hospice care, of which \$0.4 million is from general revenues; and a \$0.6 million adjustment for the impact of two elements of the rate methodology. The first relates to a plan that limited gains or losses from a prior rate change to \$5.00 per day; FY 2018 represents the final year of a multi-year phase out. The second is the first year of a four year phase-out of an enhanced direct care payment that also originated during a prior rate change.

The Governor assumes savings of \$11.5 million, \$5.6 million from general revenues from legislation included in Section 1 of Article 13 to eliminate the October 1 rate increase. It appears this savings is \$2.1 million above the actual value of the proposal. It captures the two unrelated rate adjustments noted above, for which legislation would be required. It also appears to include an additional \$0.9 million adjustment which is not explained. In total, the proposal overstates general revenue savings accounted for in the legislation by \$1.0 million.

Nursing Facilities Rate Reduction. The Executive Office's budget includes savings of \$10.9 million, of which \$5.3 million is from general revenues, reducing nursing home rates by three percent. This includes savings of \$5.4 million from all sources, including \$2.6 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 \$0.3 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$5.1 million.

This is the fourth year that the Executive Office has proposed this reduction. There is an impact to revenue of \$0.3 million, which is not included in the Executive Office's request.

It should be noted that the rate reduction is also applied to expenses in the Rhody Health Options program, which the budget request eliminates so the overall savings for this proposal is overestimated by \$5.5 million.

The Governor does not recommend the three percent rate reduction, she instead includes savings of \$10.7 million, \$5.2 million from general revenues by lowering the rates paid to a nursing facility based on a resident's level of need. This equates to a five percent rate reduction.

Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.5 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. *The Governor does not recommend this proposal.*

Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.9 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. *The Governor does not recommend this proposal.*

Patient Liability Payments. In Rhode Island there are two pathways for an elderly individual 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 Supplemental 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 \$922 and then the state pays for the remainder of the services. The provider collects the recipient's cost of care and adjusts its monthly billing to reflect the state offset.

The FY 2017 enacted budget includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues and the 2016 Assembly passed Section 9 of Article 7 of 2016-H 7454 Substitute A, as amended to allow the Executive Office to implement changes to the collection process to make it easier for payments to be made and the agency to collect them.

The November caseload conference adds back the savings in the FY 2017 revised and FY 2018 recommended budgets consistent with Executive Office's testimony that savings would be not be achieved.

The Executive Office proposes savings of \$3.0 million, including \$1.5 million from general revenues for collecting the individual's share. *The Governor assumes savings of \$2.5 million, including \$1.2 million from general revenues from making the collections. Similar to the language passed by the 2016 Assembly, she includes Article 12 to improve collections; however, does not include information as to how the savings will be achieved.*

Hospitals

The November Caseload Estimating Conference estimate includes hospital expenses totaling \$199.7 million, \$96.4 million from general revenues. It includes \$60.0 million for direct medical services and \$139.7 million for uncompensated care payments to community hospitals. *The Governor includes \$187.0 million, \$89.9 million from general revenues; this is \$12.7 million less than the conference estimate, including \$6.5 million less from general revenues.*

Hospitals. The November Caseload Estimating Conference estimate includes FY 2018 expenditures at \$60.0 million, including \$28.5 million from general revenues. The estimate is \$11.3 million more than enacted, including \$4.6 million from general revenues.

The estimate adds \$6.2 million from all sources, including \$2.9 million from general revenues to pay \$850 a day for up to 20 individuals to reside at Fatima Hospital's inpatient psychiatric unit; funding was not included in the FY 2017 enacted budget for the expense.

The Executive Office adds \$16.6 million from all sources, including \$7.2 million from general revenues for several initiatives, each is shown in the following table and discussed separately.

The Governor recommends \$47.3 million, including \$22.1 million from general revenues, which is \$12.7 million less than the conference estimate, \$6.5 million less from general revenues. The reduction to hospitals largely represents savings from reducing the upper payment limit reimbursements, elimination of graduate medical education support, a rate freeze and a one percent reduction to rates starting January 1, 2018.

Hospitals - Constrained Budget Savings Proposals			
Proposals	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$ 16,809,920	\$ 34,159,561	Accepted*
Hospital Rate Freeze	(347,975)	(707,123)	Accepted*
Hospital Rate Reduction	(511,524)	(1,039,471)	Accepted*
Upper Payment Limit Reimbursements	(6,776,073)	(13,769,707)	Accepted*
Graduate Medical Education	(2,000,000)	(2,000,000)	Accepted
Total	\$ 7,174,348	\$ 16,643,260	

**Proposals were change in the Governor's recommendation*

Target - Rhody Health Options Program. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs.

The Executive Office eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$353.2 million, including \$173.8 million from general revenues and shifts \$317.9 million from all sources, including \$156.4 million from general revenue, to the fee-for-service programs including \$34.2 million, including \$16.8 million from general revenues for hospitals. *The Governor does not include any expenditures in the hospital program for her proposal to limit Rhody Health Options enrollment to long-term stay nursing home residents.*

Hospital Rate Freeze. The Executive Office proposes savings of \$12.5 million from all sources, including \$4.3 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 Executive Office includes savings of \$0.7 million from all sources, including \$0.3 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 were to be accepted, and the proposal to eliminate the reimbursement is not. *The Governor includes Section 1 of Article 13 for this change and assumes the requested savings.*

Hospital Rate Reduction. The Executive Office proposes savings of \$18.4 million from all sources, including \$6.3 million from general revenues, from reducing rates paid to hospitals by three percent in the fee-for-service program. The Executive Office includes savings of \$1.0 million from all sources, including \$0.5 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 were to be accepted, and the proposal to eliminate the reimbursement is not.

The Governor includes a one percent rate reduction starting January 1, 2018 for savings of \$2.6 million, including \$0.9 million from general revenues; savings of \$0.7 million, including \$0.3 million from general revenues are in the fee-for-service program.

Inpatient Behavioral Health Care Services. The November caseload conference includes \$48.0 million, including \$18.2 million from general revenues, from all sources for inpatient hospital stays for behavioral health and/or substance abuse treatment services. *The Governor assumes savings of \$2.5 million, including \$0.9 million from reducing those rates by five percent through the managed care plans and the fee-for-service hospital payments.*

Upper Payment Limit Reimbursements. The November caseload estimate includes the enacted level of \$27.9 million from general revenues, including \$13.3 million from general revenues for the outpatient and inpatient upper payment limit reimbursement made to the community hospitals. The Office's FY 2018 request also includes the enacted level.

Hospitals currently receive quarterly inpatient and outpatient supplemental Upper Payment Limit (UPL) based payments. The reimbursement provides adjustments to increase resources to community hospitals by paying a rate that is equal to what Medicaid would pay for the same services. Under current federal regulations, states have great flexibility in setting the Medicaid rates that they pay to nursing homes, hospitals and other providers. The regulations establish that states may pay facilities a total amount up to the level that Medicare would pay for the same services, group facilities together in calculating this upper payment limit, and pay some facilities more than others. This has allowed states to recognize that some public facilities have higher operating costs due to patient populations that are sicker and more likely to have no health care coverage at all.

The Executive Office's constrained budget includes savings of \$13.8 million from all sources, of which \$6.8 million is from general revenues, from a 50 percent reduction to the inpatient and outpatient reimbursements. This requires a statutory change. *The Governor reduces the payment by 50 percent for savings of \$9.9 million from all funds, \$4.0 million from general revenues. She includes Section 2 of Article 13 for the change.*

Graduate Medical Education. The Executive Office includes \$2.0 million from general revenues to support graduate medical education activities at Lifespan; this is consistent with the enacted level.

The Executive Office's constrained budget eliminates the payment for savings including \$2.0 million from general revenues. *The Governor recommends elimination of the payment and includes Section 5 of Article 13 for this change.*

Disproportionate Share Payments to Hospitals. The Caseload Estimating Conference includes \$139.7 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals, consistent with the enacted budget. This includes \$67.8 million from general revenues and \$71.9 million from federal funds to be provided to the state's community hospitals. Prior to FY 2018, payments were also made for patients at the Eleanor Slater Hospital totaling \$1.5 million from all sources, \$0.7 million from general revenues; however, legislation contained in Section 3 of Article 7 of 2016-H 7457, Substitute A, as amended, allocated the allowable resources under the state's disproportionate share to hospitals cap to the community hospitals. All expenses incurred through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals are paid for through its annual appropriation.

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; reimbursements through the state are the same.

The Governor recommends funding consistent with the conference estimate. She includes Section 2 of Article 13 to include “government” and “psychiatric” hospitals as participating hospital in the payment allocation. This appears to allow the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to participate for its costs at Eleanor Slater Hospital, but because all costs at the state-hospital are paid for through the Department’s budget, there are no costs that are “uncompensated”. Any costs not matched by Medicaid or third party liability are paid through general revenues.

Hospital Payments	FY 2016 Reported	FY 2017 Enacted	FY 2018 Nov. CEC	FY 2018 Gov. Rec.
Community Hospitals				
State	\$ 62,549,661	\$ 69,493,489	\$ 67,826,089	\$ 67,826,089
Federal	65,747,555	69,506,585	71,877,492	71,877,492
Subtotal	\$ 128,297,216	\$ 139,000,074	\$ 139,703,581	\$ 139,703,581
Eleanor Slater Hospital				
State	\$ 755,119	\$ 774,421	\$ -	\$ -
Federal	793,722	774,421	-	-
Subtotal	\$ 1,548,841	\$ 1,548,841	\$ -	\$ -
Upper Payment Limit				
State	\$ 5,482,285	\$ 9,457,259	\$ 8,073,516	\$ 4,036,758
Federal	5,570,152	9,792,199	11,710,789	5,855,395
Subtotal	\$ 11,052,437	\$ 19,249,458	\$ 19,784,305	\$ 9,892,153
Graduate Medical Education				
State	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
Total	\$ 142,898,494	\$ 161,798,373	\$ 161,487,886	\$ 149,595,734

Hospital License Fee. The Assembly included Section 7 of Article 13 of 2016-H 7454, Substitute A, as amended which set the FY 2017 license fee at 5.652 percent based on 2015 revenues for all hospitals, including the state-run Eleanor Slater Hospital, except for South County Hospital and Westerly Hospital which will pay a lower 3.55 percent fee.

The Governor includes revenues consistent with the enacted level and proposes Article 14 for the FY 2018 license fee; however, the legislation inadvertently updates the base year for collections to 2016 while the fee and collections reflect a 2015 base year.

FY 2018 Hospital License Fee	FY 2017 Enacted	FY 2018 Gov. Rec.	Gov. Change to Enacted
<i>Base Year</i>	<i>2015</i>	<i>2016</i>	
<i>Tax Rate</i>	<i>5.652%</i>	<i>5.652%</i>	
Community Hospital License Fee	\$ 166,621,903	\$ 166,621,903	\$ -
Washington County Hospitals Waiver	(4,236,468)	(4,236,468)	-
Subtotal Licensing fee	\$ 162,385,435	\$ 162,385,435	\$ -
Slater License Fee	6,573,237	6,573,237	-
Total	\$ 168,958,672	\$ 168,958,672	\$ -

Long Term Care

The Caseload Estimating Conference estimate includes long term care expenses at \$243.7 million, of which \$118.6 million is from general revenues. This includes \$183.0 million for nursing facilities and hospice care and \$60.7 million for home and community care. The estimate is \$2.2 million less than enacted, primarily from general revenues to adjust for the updated Medicaid rate; it is \$10.3 million above the revised estimate for FY 2017.

The Conference estimate adds \$4.7 million from all sources, \$2.4 million in the fee-for-service long term care program, to reflect the current law requirement that resources be added to the home and community care program if there has been a reduction in nursing home days. There was a 25,373 bed-day reduction from FY 2016 compared to FY 2015 at a projected cost of \$184.02 a day. The Executive Office reports that unlike prior years, the verification of the bed day reduction through Rhody Health Options will not be finalized for at least the next few months. The May Caseload Conference estimate will consider finalized data and adjust the home and community care allocation as necessary.

The constrained budget adds \$179.2 million, including \$88.2 million from general revenues in long term care from seven proposals including the elimination of the Rhody Health Options managed care program; each is discussed separately.

The Governor recommends \$240.9 million, including \$117.2 million from general revenues. This is \$2.8 million less than the conference estimate, including \$1.4 million less from general revenues. The Governor accepts the proposal to modify enrollment in the Rhody Health Options program but her budget accounts for the net savings impact to the fee-for-services program and not the cost to the nursing facilities for those newly disenrolled residents. The Governor's recommendation should have shifted \$142.6 million, for total funding of \$383.5 million in the fee-for-services program.

Long Term Care - Constrained Budget Savings Proposals			
Proposal	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$ 67,698,655	\$ 137,570,932	Accepted*
Nursing Facilities Rate Freeze	(2,725,364)	(5,538,232)	Accepted*
Nursing Facilities Rate Reduction	(2,635,212)	(5,355,034)	Accepted*
Nursing Home Utilization	(975,424)	(1,982,167)	Accepted*
Integrated Care Initiative - Home and Community Based Care	22,566,219	45,856,978	Accepted*
Home & Community Care Investment	4,989,860	10,139,931	Accepted*
Patient Liability Payments	(738,150)	(1,500,000)	Accepted*
Total	\$ 88,180,584	\$ 179,192,408	

**Proposal revised in the recommendation*

Nursing Facilities and Hospice Care. The Caseload Estimating Conference estimate includes FY 2018 expenditures of \$183.0 million, of which \$89.0 million is from general revenues for the state's 84 nursing facilities. The estimate is \$4.6 million more than enacted, including \$1.4 million more from general revenues and \$6.0 million more than the revised estimate for FY 2017.

The Executive Office's constrained request adds \$124.7 million from all sources, including \$61.4 million from general revenues in its constrained budget for nursing and hospice services. Each proposal is discussed separately.

The Governor recommends \$170.2 million, including \$82.8 million from general revenues with the program impacted by the Healthy Aging in the Community Initiative. She accepts the proposal to limit enrollment through the Rhody Health Options program but does not shift funding to nursing facilities. Adjusted for that, the recommendation should be \$312.8 million, including \$159.3 million from general revenues for the fee-for-service nursing facilities program.

Integrated Care Initiative. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs.

The Executive Office eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$353.2 million, including \$173.8 million from general revenues and shifts \$317.9 million from all sources, including \$156.4 million from general revenue, to the fee-for-service programs including \$34.2 million, including \$16.8 million from general revenues for hospitals. Supporting documentation does not include a revenue loss; however, the payments are subject to the 2.0 premium assessment against the managed care plans.

The Governor adds \$7.9 million, including \$3.9 million from general revenues from limiting enrollment in Rhody Health Options through the Healthy Aging in the Community proposal which excludes nursing home residents with stays 90 days or longer.

The mechanics of the proposal would appear as funding being reallocated to the nursing home program from managed care, but the Governor's recommendation contains only a net reduction to managed care. Nursing home expenses should have been increased by \$142.6 million, including \$69.4 million from general revenues with an offsetting reduction in managed care.

Nursing Facilities Rate Freeze. The Office's budget includes savings of \$11.2 million, of which \$5.5 million is from general revenues from eliminating the October 1, 2017 rate increase for the nursing facilities. This includes savings of \$5.5 million from all sources, including \$2.7 million from general revenues in the fee-for-service program. The rate freeze would result in lower revenues for nursing homes, which would lower taxes paid by \$0.3 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.4 million. It should be noted that the rate freeze is also applied to expenses in the Rhody Health Options program, which the constrained budget request eliminates. *The Governor recommends this proposal and includes Section 1 of Article 13 for the change.*

Nursing Facilities Rate Reduction. The Office's budget includes savings of \$10.9 million, of which \$5.3 million is from general revenues, reducing nursing home rates by three percent. This includes savings of \$5.4 million from all sources, including \$2.6 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 \$0.3 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$5.1 million.

This is the fourth year that the Executive Office has proposed this reduction. There is an impact to revenue of \$0.3 million, which is not included in the Executive Office's request.

The Governor does not recommend the three percent increase. Instead she assumes savings \$10.7 million, \$5.2 million from general revenues from lowering rates paid to nursing facilities that reflect a resident's level of need, or acuity, by 2.5 percent. She includes Section 1 of Article 13 to make this change.

Nursing Facilities Utilization. The Executive Office includes savings of \$8.3 million from all sources, including \$4.1 million from general revenues from lowering the daily census for those residing in a nursing facility by 2.5 percent. The Executive Office reports that this will be achieved through more effective interventions that increase transitions out of nursing facilities and into a community-based setting and reduces the number of new nursing home placements to meet the goal of reducing long term care spending on nursing facilities from 81 percent to 70 percent by calendar year 2020. The savings included in the fee-for-service program is \$2.0 million, including \$1.0 million from general revenues. The remaining savings are taken in the Rhody Health Options program, which the Executive Office eliminated; it is unclear why it continued to take savings from a program that would not exist in FY 2018 if the proposal were accepted.

The Executive Office reports that the plan for the reduction in utilization is a Medicaid staff reorganization of its nursing home transition team and adding up to four nurses to that team. The primary role will be to "hotspot" members eligible for very early release from nursing homes (10-20 day stays) beyond targeting the current 90 day stays that are currently staffed for through Money Follows the Person funding. The

request does not add any new positions. *The Governor recommends this proposal and assumes savings of \$5.1 million, including \$2.5 million from general revenues. Savings are taken only in the fee-for-service program.*

Home and Community Care. The November Caseload Estimating Conference estimate includes \$60.7 million for home and community care expenses, including \$29.5 million from general revenues for FY 2018. This is \$6.7 million more than enacted, including \$3.6 million less from general revenues and \$4.3 million more than the revised estimate. The estimate includes caseload and cost inflators consistent with the Office's testimony at the caseload conference.

As previously noted, the Conference estimate adds \$4.7 million from all sources, \$2.4 million in the fee-for-service long term care program, to reflect the current law requirement that resources be added to the home and community care program if there has been a reduction in nursing home days. There was a 25,373 bed-day reduction from FY 2016 compared to FY 2015 at a projected cost of \$184.02 a day. The Executive Office reports that unlike prior years, the verification of the bed day reduction through Rhody Health Options will not be finalized for at least the next few months. The May Caseload Conference estimate will consider finalized data and adjust the home and community care allocation as necessary.

The Offices proposes adding \$55.0 million from all sources, including \$26.8 million from general revenues in its constrained budget. Each proposal is discussed separately.

The Governor includes \$70.7 million, of which \$34.4 million is from general revenues. She adds \$10.0 million, including \$4.9 million from general revenues to the conference estimate for her Healthy Aging in the Community Initiative. She concurs with the Executive Office's proposals, noted below, and also includes funding to increase the wages paid to direct care workers.

Integrated Care Initiative. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs.

The Executive Office's constrained request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$353.2 million, including \$173.8 million from general revenues and shifts \$317.9 million from all sources, including \$156.4 million from general revenues to the fee-for-service programs including \$34.2 million, including \$16.8 million from general revenues for hospitals. The add-back for the nursing facilities is \$137.6 million from all sources, including \$67.7 million from general revenues.

The Governor adds \$7.9 million, including \$3.3 million from general revenues to expand opportunities for access to home and community care services. This may include new programs targeting those with dementia and behavioral health issues, strengthening caregiver supports and expanding home-based primary care to support her Healthy Aging in the Community Initiative.

Home and Community Care. The Executive Office adds \$10.1 million from all sources, including \$5.0 million from general revenues, to the home and community care program in the anticipation of a 2.5 percent reduction in the use of nursing facilities from either transitioning an individual from a nursing facility to another lesser intensive setting or enhancing services to keep a person at home. *As noted, the Governor adds \$7.9 million, including \$3.3 million from general revenues to expand opportunities for access to home and community care services reflecting her Healthy Aging in Community Initiative.*

Home Care Rates. The 2016 Assembly added \$4.1 million from all funds, including \$2.0 million from general revenues to increase the rates for personal care attendants and home health aides and passed Section

2 of Article 7 of 2016-H 7454, Substitute A, as amended, to make the change. The legislation also included provisions for repayment by the providers if the increase is used for other purposes not deemed appropriate by the Secretary of Health and Human Services. The providers were to file a report by September 1, 2016, attesting that the increase was passed through to the direct care workers.

The Governor adds \$4.4 million, including \$2.2 million from general revenues to increase the direct care worker rates by approximately seven percent in FY 2018 and includes Section 3 of Article 13 for this change. The legislation also eliminates the reporting and repayment language included by the 2016 Assembly, which was consistent with the Governor's recommendation to verify that increase was passed along to the direct care workers.

Patient Liability Payments. The Executive Office proposes savings of \$3.0 million, including \$1.5 million is from general revenues from collecting the individual's share. This includes \$0.8 million, of which \$0.4 million is general revenues, in the fee-for-service program.

The Executive Office reports the providers in the fee-for-service system bill the state for services provided and, for those with a patient liability, must bill for services minus what is owed by the recipient. However, this may or may not be happening because there is currently no process in the Medicaid Management Information System to ensure appropriate billing. In the Rhody Health Options managed care program, Neighborhood Health Plan of Rhode Island collects the liability based on information provided by the Executive Office but the information has been incomplete.

The primary concern, as reported by the Executive Office, is with patient liability for those beneficiaries that are in an assisted living facility and enrolled in Rhody Health Options or receiving services at home and enrolled in either the managed care or fee-for-service system. For those in assisted living facilities and enrolled in Rhody Health Options, patient liability has not been completed or updated since November 1, 2013. Prior to the implementation of Rhody Health Options, the Department of Human Services' Division of Elderly Affairs, through agreements with the local case management agencies, determined the patient liability for beneficiaries in assisted living. The determination ceased upon the implementation of Rhody Health Options. *The Governor recommends this proposal and includes Article 12 for the change. It should be noted that this is the same language passed by the 2016 Assembly to enhance patient collections.*

Managed Care

The Caseload Estimating Conference estimate includes managed care expenses of \$672.5 million of which \$299.1 million is from general revenues. The estimate includes RItE Care expenses at \$610.3 million, RItE Share at \$7.5 million and fee-for-service expenses at \$54.8 million; a discussion of each follows.

The November estimate is \$24.5 million more than enacted, including \$4.3 million from general revenues and \$8.4 million more than the Executive Office's request, including \$3.7 million less from general revenues. The Executive Office's constrained request is \$40.6 million less than the enacted budget, including \$20.0 million less from general revenues and does not reflect the adopted estimate.

The Governor includes \$655.9 million, \$16.6 million less than the caseload estimate. This includes \$289.5 million from general revenues, or \$9.6 million less than estimated. Her changes are discussed separately.

RItE Care. The Caseload Estimating Conference estimated RItE Care expenditures at \$610.3 million including \$286.3 million from general revenues. This is \$52.0 million more than enacted, including \$25.5 million more from general revenues with higher than anticipated RItE Care enrollment, including higher retention through recertification in the new eligibility system. *The Governor includes \$593.7 million, or \$16.6 million less than the conference estimate. This is \$289.5 million from general revenues or \$9.6 million less than the conference estimate.*

The following table shows the proposal savings specific to the RItE Care program. As previously described in the summary section, the first four proposals impact multiple managed care programs; all the proposals are described separately.

Managed Care			
Proposals	Gen. Rev.	All Funds	Gov. Rec.
Hospital Rate Freeze	\$ (2,582,909)	\$ (5,248,747)	Accepted
Hospital Rate Reduction	(3,796,875)	(7,715,659)	Accepted*
Performance Goal Program	(1,643,492)	(3,339,753)	Accepted*
Provider Incentive Payments	(1,476,300)	(3,000,000)	Accepted
Managed Care Administrative Rate	(1,245,213)	(2,530,406)	Accepted*
Federally Qualified Health Centers - Incentive Payments	(948,074)	(1,926,586)	Accepted*
Program Integrity - Residency	(492,100)	(1,000,000)	Accepted
Professional Services Rate Freeze	(2,457,524)	(5,029,960)	Rejected
Professional Services Rate Reduction	(3,100,599)	(6,264,743)	Rejected
Katie Beckett Program	(2,260,460)	(4,593,498)	Rejected
Total	\$ (20,003,546)	\$ (40,649,352)	

**Savings were changed in the Governor's recommended budget*

Hospital Rate Freeze. The Executive Office proposes savings of \$12.5 million from all sources, including \$4.3 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 Executive Office includes savings of \$5.2 million from all sources, including \$2.6 million from general revenues in the managed care program from this action, which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014, FY 2015 and FY 2016 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. *The Governor recommends this proposal.*

Hospital Rate Reduction. The Executive Office proposes savings of \$18.4 million from all sources, including \$6.3 million from general revenues, from reducing rates paid to hospitals by three percent in the fee-for-service program. The Executive Office includes savings of \$7.7 million from all sources, including \$3.8 million from general revenues in the managed care program from this action, which requires a statutory change and a category II change under the Medicaid waiver. *The Governor recommends a one percent rate reduction starting January 1, 2018 and includes savings of \$1.1 million, including \$0.5 million from general revenues.*

Performance Goal Program. The November Caseload Estimate includes \$9.7 million, including \$3.1 million from general revenues for the program; this is consistent with testimony from the Executive Office. The Executive Office's constrained budget includes savings of \$6.3 million, of which \$2.0 million is from general revenues, from eliminating the incentive program that establishes benchmark standards for quality and access to performance measures. This includes savings of \$3.3 million, of which \$1.6 million is from general revenues in the RItE Care program.

Rhode Island is the second state to implement a value-based purchasing initiative and FY 2018 will be the 20th year of the incentive program. The initiative eliminates \$1.50 per member per month allocation for those in RItE Care and \$3.00 per member per month for those individuals enrolled in Rhody Health Partners and the expansion program.

It should be noted that one of the tenets in the Governor's Reinventing Medicaid platform is to pay for

value and not volume and to: better coordination of mental and physical healthcare; better coordination of care through our managed care organizations and new provider partnerships; a continued emphasis to shift service delivery away from institutional care and toward community-based services; and better enforcement, through new electronic monitoring programs, of Medicaid rules to protect against waste and fraud.

The Governor assumes savings of \$1.6 million, including \$2.3 million from general revenues from this proposal but based on supporting documentation, there are two errors. The first is that reported savings is inclusive of an adjustment to the baseline caseload estimate that the Executive Office believes overstated the payments by \$3.2 million, including \$1.0 million from general revenues. This is inconsistent with the caseload estimate and should not have been adjusted.

The second is that not all federal funds are accounted for in the proposal. Excluding the errors, the proposal would lower expenses by \$0.8 million, including \$1.3 million from general revenues. This reflects realizing a higher Medicaid match for some expenses and changing to a \$2.00 per member per month payment.

Provider Incentive Payment. The Executive Office includes savings of \$3.0 million from all sources, including \$1.5 million from general revenues for eliminating the provider incentive program that awards providers who are building and strengthening the capacity to managed cost of care and support a value-based purchasing arrangement with the managed care plans. *The Governor recommends this proposal and includes the savings as requested.*

Managed Care Administrative Rate. The Executive Office proposes savings of \$5.6 million, including \$2.1 million from general revenues from reducing the administrative rate paid the managed care providers by three percent. This includes savings of \$2.5 million, of which \$1.2 million is from general revenues in the RItE Care program. *The Governor assumes savings of \$0.8 million, including \$0.4 million from a two percent reduction in the administrative rate. She includes Article 12 to authorize the change.*

Federally Qualified Health Centers Wrap Around Payment. The Executive Office includes savings of \$2.5 million from all sources, including \$1.0 million from general revenues for moving all expenses paid to the federally qualified community health centers into the managed care plans. This includes savings of \$1.9 million from all sources, \$1.0 million from general revenues from this proposal in the RItE Care program. The Executive Office's constrained request includes savings from the managed care plans having increased control overutilization and determining the appropriate place for delivery of services. The state is still required to complete the year-end settlement with the health centers as required by federal law. *The Governor assumes savings of \$2.4 million, including \$1.2 million from general revenues and includes Section 1 of Article 13 for the change.*

Program Integrity - Residency. The Executive Office's constrained request includes savings of \$1.0 million from all sources, including \$0.5 million from general revenues for identifying members enrolled in the managed care plans who have moved out-of-state. The Executive Office reports that it has recently purchased services, which allows the state to match enrolled members against national mailing address databases. The savings assumes that at least 400 RItE Care enrollees with an average \$231 per member per month cost will be identified in FY 2018. The system was purchased in FY 2017 at a cost of \$37,484 from all sources and it is unclear why the savings will start July 1, 2017, or FY 2018 and not in FY 2017.

The savings are only in the RItE Care program; it is unclear why the other programs are not impacted by this proposal. The ability to match is not part of the Unified Health Infrastructure Project. *The Governor includes this proposal.*

Target - Katie Beckett Optional Payment. The Executive Office proposes savings of \$4.6 million from all sources, including \$2.3 million from general revenues from implementing a voluntary cost sharing program for families receiving services through the Katie Beckett program. The program provides services to approximately 1,200 disabled children whose family income makes them ineligible for the RItE Care program or who have commercial coverage that does not cover the home based services required of this population. The Executive Office reports that approximately 75 percent of the families have income above 250 percent of poverty and 90 percent have commercial coverage.

The Executive Office proposes instituting a cost sharing requirement for certain families but the 2015 Assembly did not include the proposal, instead passed legislation allowing the Executive Office to collect a family's financial information. *The Governor does not recommend this proposal.*

Target - Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.5 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. This includes \$5.0 million from all sources, \$2.5 million from general revenues, in the managed care program. *The Governor does not recommend this proposal.*

Target- Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.7 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. This includes \$6.3 million from all sources, \$3.1 million from general revenues in the managed care program. *The Governor does not recommend this proposal.*

RItE Share. The November Caseload Estimating Conference estimate includes RItE Share expenditures of \$7.5 million, including \$3.9 million from general revenues. This is \$0.6 million less than enacted, including \$0.3 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 caseload estimate.*

Fee-Based Managed Care. The Caseload Estimating Conference estimate includes FY 2018 fee-based managed care expenditures of \$54.8 million from all sources, of which \$26.7 million is from general revenues. The estimate is \$14.8 million less than enacted, including \$7.6 million less from general revenues from shifting some expenses from RItE Care to fee-based managed care and increased transportation expenditures. Fee-based managed care provides additional services to those in the contracted managed care system. The Executive Office's request is consistent with the enacted budget and does not reflect the adopted estimate. *The Governor recommends funding consistent with the caseload estimate.*

Rhody Health Partners

The Caseload Estimating Conference estimate includes expenditures of \$247.0 million from all sources, including \$121.0 million from general revenues for the managed care program for adults with disabilities in FY 2018. The Executive Office's request is \$10.8 million less than its unconstrained budget, of which \$5.3 million is from general revenues and includes several savings proposals, discussed separately.

The Executive Office's constrained budget includes savings of \$10.8 million, including \$5.3 million from general revenues from six proposals. *The Governor recommends \$242.9 million, including \$119.0 million*

from general revenues; this is \$4.0 million less than the conference estimate, including \$2.0 million from general revenues.

Hospital Rate Freeze. The Executive Office proposes savings of \$12.5 million from all sources, including \$4.3 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 Executive Office included savings of \$2.3 million from all sources, including \$1.2 million from general revenues in Rhody Health Partners from this action, which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014, FY 2015 and FY 2016 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. *The Governor recommends this proposal.*

Rhody Health Partners - Constrained Budget Savings Proposals			
Proposals	Gen. Rev.	All Funds	Gov. Rec.
Hospital Rate Freeze	\$ (1,154,903)	\$ (2,346,886)	Accepted
Hospital Rate Reduction	(1,697,707)	(3,449,923)	Accepted*
Managed Care Administrative Rate	(520,037)	(1,056,771)	Accepted*
Performance Goal Program	(264,517)	(537,528)	Accepted
Professional Services Rate Freeze	(752,596)	(1,529,355)	Rejected
Professional Services Rate Reduction	(937,347)	(1,904,790)	Rejected
Total	\$ (3,637,164)	\$ (7,391,108)	

**Savings were changed in the Governor's recommended budget*

Hospital Rate Reduction. The Executive Office proposed savings of \$18.4 million from all sources, including \$6.3 million from general revenues, from reducing rates paid to hospitals by three percent in the fee-for-service program. The Executive Office included savings of \$3.4 million from all sources, including \$1.7 million from general revenues, in Rhody Health Partners from this action, which requires a statutory change and a category II change under the Medicaid waiver. *The Governor recommends a one percent rate reduction starting January 1, 2018 and includes savings of \$0.5 million, including \$0.2 million from general revenues.*

Managed Care Administrative Rate. The Executive Office proposes savings of \$6.6 million, including \$2.5 million from general revenues from reducing the administrative rate by three percent. This includes savings of \$1.0 million, of which \$0.5 million is from general revenues in the Rhody Health Partners program. *The Governor assumes savings of \$0.3 million, including \$0.2 million from general revenues from reducing the administrative rate by two percent. She includes Article 12 to accomplish this.*

Performance Goal Program. The November Caseload Estimate includes \$9.7 million, including \$3.1 million from general revenues for the program; this is consistent with testimony from the Executive Office. The Executive Office's constrained budget includes savings of \$6.3 million, of which \$2.0 million is from general revenues, from eliminating the incentive program that establishes benchmark standards for quality and access to performance measures. This includes savings of \$0.6 million, of which \$0.3 million is from general revenues in the Rhody Health Partners program. *The Governor does not include any savings in Rhody Health Partners; the savings are exclusively in the RItE Care program.*

Centers of Excellence. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals has been awarded a \$1.0 million federal medication assisted treatment grant to establish Centers of Excellence for Opioid Use Disorders. The Department has also requested \$0.8 million in FY 2017 for the program. The Department applied for a \$3.0 million grant and the project period is September 1, 2016

through August 31, 2019. Funding after the first year is based on availability of funds and satisfactory progress of the project.

The FY 2017 enacted budget includes \$1.5 million, including \$0.7 million from general revenues for opioid treatment services, including those through Centers of Excellence. CODAC is currently the only licensed center in Rhode Island. It is anticipated that the Department will open a center at Eleanor Slater Hospital in March 2017.

The Governor includes Article 12 to seek federal approval to leverage Medicaid for treatment services through the centers starting in FY 2018. It is anticipated that there will be additional costs of \$1.4 million, including \$0.7 million from general revenues, for this activity however the Governor's recommended budget does not include any funding for these expenses.

Target - Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.5 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. This includes \$1.5 million from all sources, \$0.8 million from general revenues in the Rhody Health Partners program. *The Governor does not recommend this proposal.*

Target - Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.9 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. This includes \$1.9 million from all sources, \$0.9 million from general revenues in Rhody Health Partners. *The Governor does not recommend this proposal.*

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 \$363.6 million from all sources, including \$177.0 million from general revenues for the program.

The Executive Office's constrained budget eliminates the managed care program for savings of \$353.2 million from all sources, including \$173.8 million from general revenues. It should be noted that the elimination is more than what is included in the enacted budget adjusted for caseload and cost inflators by \$5.6 million, including \$2.2 million from all sources and then takes further rate reduction totaling \$25.5 million, including \$12.5 million from general revenues from eight proposals impacting the program that the Executive Office eliminated.

The Governor recommends \$331.8 million, including \$161.6 million from general revenues; this is \$31.8 million less than the conference estimate, including \$15.4 million from general revenues. As part of the Healthy Aging in the Community Initiative, she recommends limiting enrollment in Rhody Health Options to exclude nursing home residents with stays 90 days or longer.

The mechanics of the proposal would appear as funding being reallocated to the nursing home program from managed care but the Governor's recommendation contains only a net reduction to managed care. Rhody Health Options should be decreased by \$158.8 million, including \$77.3 million from general revenues with an offsetting increase in nursing homes.

Integrated Care Initiative. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs.

The Executive Office eliminates the Rhody Health Options managed care program for savings of \$353.2 million from all sources, including \$173.8 million less from general revenues in its budget request. *The Governor recommends limiting enrollment in Rhody Health Options to exclude nursing home residents with stays 90 days or longer but does not transfer the funds into the fee-for-service program for savings of \$24.1 million, including \$11.7 million from general revenues. As previously noted, she overfunds the Rhody Health Options program by not shifting the appropriate resources to the nursing facilities fee-for-service program.*

Rhody Health Options - Constrained Budget Savings Proposals			
Proposals	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$(173,807,341)	\$(353,195,165)	Accepted*
Nursing Home Utilization	(3,092,597)	(6,284,488)	Accepted*
Nursing Facilities Rate Freeze	(2,803,599)	(5,697,213)	Accepted*
Nursing Facilities Rate Reduction	(2,710,859)	(5,508,757)	Accepted*
Patient Liability Payments	(738,150)	(1,500,000)	Accepted*
Managed Care Administrative Rate	(645,867)	(1,312,472)	Accepted*
Professional Services Rate Freeze	(1,136,978)	(2,310,462)	Rejected
Professional Services Rate Reduction	(1,416,090)	(2,877,647)	Rejected
Total	\$(186,351,481)	\$(378,686,204)	

**Savings were changed or only partially accepted in the Governor's recommended budget.*

Nursing Facilities Utilization. The Executive Office includes savings of \$8.3 million from all sources, including \$4.1 million from general revenues from lowering the daily census for those residing in a nursing facility by 2.5 percent. The Executive Office reports that this will be achieved through more effective interventions that increase transitions out of nursing facilities and into a community-based setting and reduces the number of new nursing home placements to meet the goal of reducing long term care spending on nursing facilities from 81 percent to 70 percent by calendar year 2020. The savings included in the newly eliminated managed care program is \$6.3 million, including \$3.1 million from general revenues. It is unclear why it continued to take savings from a program that would not exist in FY 2018 if the proposal were accepted. *The Governor includes the proposal but the savings are shown in the fee-for-services program not the managed care plan, which is appropriate since the individuals remaining in Rhody Health Options are short-term stays.*

Nursing Facilities Rate Freeze. The Office's budget includes savings of \$11.2 million, of which \$5.5 million is from general revenues from eliminating the October 1, 2017 rate increase for the nursing facilities. This includes savings of \$5.7 million from all sources, including \$2.8 million from general revenues in the fee-for-service program. The rate freeze would result in lower revenues for nursing homes, which would lower taxes paid by \$0.3 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.4 million. It should be noted that the rate freeze is also applied to expenses in the Rhody Health Options program, which the budget request eliminates.

The Governor includes the proposal and assumes savings of \$6.6 million, including \$3.2 million from general revenues. If the proposal is accepted and the funding is shifted to the fee-for-services program, these savings would appear in that program.

Nursing Facilities Rate Reduction. The Office's budget includes savings of \$10.9 million, of which \$5.3 million is from general revenues, reducing nursing home rates by three percent. This includes savings of

\$5.5 million from all sources, including \$2.7 million from general revenues in the managed care program. The rate reduction would result 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 \$5.1 million.

This is the fourth year that the Executive Office has proposed this reduction. There is an impact to revenue of \$0.3 million which is not included in the Executive Office's request. *The Governor does not include any savings from this proposal in the Rhody Health Options program.*

Patient Liability. The Executive Office proposes savings of \$3.0 million, including \$1.5 million from general revenues for collecting the individual's share. This includes \$1.5 million, of which \$0.7 million is from general revenues, in the Rhody Health Options program. *The Governor recommends \$1.2 million in savings in Rhody Health Options, \$0.6 million from general revenues from this proposal. She includes Article 12 for the change. It should be noted that this is the same language passed by the 2016 Assembly to enhance patient collections.*

Managed Care Administrative Rate. The Executive Office proposes savings of \$6.6 million, including \$2.5 million from general revenues from reducing the administrative rate by three percent. This includes savings of \$1.3 million, of which \$0.6 million is from general revenues, in the eliminated Rhody Health Options program. *The Governor assumes savings of \$0.4 million, including \$0.2 million from general revenues from a two percent rate reduction.*

Target - Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.8 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. This includes \$2.3 million, \$1.1 million from general revenues in the eliminated program which, as previously noted, overstates the savings included in the constrained budget. *The Governor does not recommend this proposal.*

Target - Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.9 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. This includes \$2.9 million, \$1.4 million from general revenues in the eliminated program which, as previously noted, overstates the savings included in the constrained budget. *The Governor does not recommend this proposal.*

Pharmacy

The Caseload Estimating Conference estimate includes pharmacy expenses of \$63.8 million; this is \$7.6 million more than enacted. This includes direct pharmacy costs and the state's estimated Medicare Part D clawback payment. The Department's revised request is consistent with the enacted budget and does not reflect the adopted estimate. Pharmacy costs also include psychotropic medicines for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' Medicaid eligible behavioral health clients. *The Governor recommends funding consistent with the caseload estimate.*

Fee-for-Service. The Caseload Estimating Conference estimate includes FY 2018 pharmacy expenditure savings of \$0.9 million reflecting rebates that are higher than actual pharmacy expenses. Elderly and disabled individuals who are not enrolled in Rhody 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.*

The Executive Office's constrained budget includes one proposal impacting program costs.

Pharmacy - Constrained Budget Savings Proposals			
Proposal	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$ 2,308,191	\$ 4,690,492	Accepted*
Total	\$ 2,308,191	\$ 4,690,492	

**Savings were changed or only partially accepted in the Governor's recommended budget.*

The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs. *The Governor's recommendation modifies the Rhody Health Options program but the changes do not impact fee-for-service pharmacy expenses.*

Medicare Drug Benefit - Part D Clawback. The Caseload Estimating Conference estimate includes the state payment for the Medicare Part D clawback provision at \$64.7 million, \$7.2 million more than enacted. The Office's request is \$4.6 million more than the enacted budget and \$2.5 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 and the increase to the enacted level reflects updated expenditures based on federal information directly related to per member per month costs. For individuals enrolled in Medicaid as well as Medicare, commonly referred to as dual eligible, 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 eligible do not pay any annual deductible, but pay a \$1 co-payment for generic drugs or a \$3 co-payment for brand names. *The Governor recommends funding consistent with the caseload estimate.*

Medicaid Expansion

The November conference estimate includes \$504.0 million from all sources to provide health benefits to certain adults through the Medicaid expansion program. This includes \$476.1 million from federal funds and \$27.9 million from general revenues; FY 2017 is the first year that a state match must be provided for this program. A match rate of five percent is required as of January 1, 2017 so the full impact in FY 2018 is a 5.5 percent match.

The Executive Office's constrained budget includes savings of \$21.0 million from all sources, including \$1.2 million from general revenues from seven proposals. *The Governor includes \$492.7 million, \$7.0 million less than the conference estimate; she includes \$27.5 million from general revenues. \$0.4 million less than the conference estimate.*

The following table shows the proposal savings specific to the expansion program.

Other Medical Services - Constrained Budget Savings Proposals			
Proposal	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$ 47,059,642	\$ 95,630,242	Accepted*
Children's Health Account	(1,900,000)	-	Accepted*
Professional Services Rate Freeze	(1,267,714)	(2,576,131)	Rejected
Professional Services Rate Reduction	(1,017,847)	(2,068,374)	Rejected
Total	\$ 42,874,081	\$ 90,985,737	

**Savings were changed or only partially accepted in the Governor's recommended budget.*

Hospital Rate Freeze. The Executive Office proposes savings of \$12.5 million from all sources, including \$4.3 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 Executive Office includes savings of \$4.2 million from all sources, including \$0.2 million from general revenues in expansion program from this action, which requires a statutory change and a category II change under the Medicaid waiver. The FY 2014, FY 2015 and FY 2016 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. *The Governor recommends this proposal.*

Hospital Rate Reduction. The Executive Office proposes savings of \$18.4 million from all sources, including \$6.3 million from general revenues, from reducing rates paid to hospitals by three percent in the fee-for-service program. The Executive Office includes savings of \$6.2 million from all sources, including \$0.3 million from general revenues, in the expansion program from this action, which requires a statutory change and a category II change under the Medicaid waiver. *The Governor recommends a one percent rate reduction starting January 1, 2018 and includes savings of \$0.9 million, including \$47,485 from general revenues.*

Managed Care Administrative Rate. The Executive Office proposes savings of \$6.6 million, including \$2.5 million from general revenues from reducing the administrative rate by three percent. This includes savings of \$1.7 million, of which \$0.1 million is from general revenues, in the expansion program. *The Governor recommends this proposal and includes \$0.6 million in savings, \$31,168 from general revenues.*

Federally Qualified Health Centers Wrap Around Payment. The Executive Office includes savings of \$2.5 million from all sources, including \$1.0 million from general revenues for moving all expenses paid to the federally qualified community health centers into the managed care plans. This includes savings of \$0.6 million from all sources, \$33,463 from general revenues from this proposal in the expansion program. *The Governor recommends this proposal essentially as requested.*

Target - Performance Goal Program. The Executive Office proposes savings of \$6.3 million, including \$2.0 million from general revenues from eliminating the incentive payments made to the managed care plans through the Performance Goal Program. The program establishes benchmark standards for quality and access performance measures. This includes savings of \$2.4 million, of which \$0.1 million is from general revenues in the expansion program. *The Governor does not include any savings in Medicaid Expansion; the savings are exclusively in the RItE Care program.*

Target - Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.5 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. This includes \$2.6 million, \$0.1 million from general revenues in the expansion program. *The Governor does not recommend this proposal.*

Target - Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.9 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. This includes \$3.3 million, \$0.2 million from general revenues in the expansion program. *The Governor does not recommend this proposal.*

Other Medical Services

The Caseload Estimating Conference estimate includes costs for other medical services, which include 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 \$119.8 million, which includes \$47.7 million from general revenues. The estimate is \$25.7 million more than the enacted budget, including \$11.8 million more from general revenues.

The Executive Office's FY 2018 request is \$4.1 million more than enacted and \$21.6 million less than the conference estimate and includes several savings initiatives, each discussed separately. *The Governor recommends \$116.2 million from all sources, \$42.3 million from general revenues; this is \$3.6 million less than the caseload conference, including \$5.3 million less from general revenues. This is savings of \$3.2 million, including \$1.5 million from general revenues from updated Medicare Part B premium payments.*

Other Medical Services - Constrained Budget Savings Proposals			
Proposal	Gen. Rev.	All Funds	Gov. Rec.
Integrated Care Initiative	\$ 47,059,642	\$ 95,630,242	Accepted*
Children's Health Account	(1,900,000)	-	Accepted*
Professional Services Rate Freeze	(1,267,714)	(2,576,131)	Rejected
Professional Services Rate Reduction	(1,017,847)	(2,068,374)	Rejected
Total	\$ 42,874,081	\$ 90,985,737	

**Savings were changed or only partially accepted in the Governor's recommended budget.*

Integrated Care Initiative. The Executive Office's constrained budget request eliminates the Rhody Health Options managed care program for individuals eligible for both Medicare and Medicaid for savings of \$35.3 million, including \$17.4 million in the managed care program and accounts for the shift of expenses back to the fee-for-service programs. *The Governor's recommendation modifies the Rhody Health Options program but the changes do not impact fee-for-service pharmacy expenses.*

Children's Health Account. The enacted budget includes \$9.6 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 Executive 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 deposited in the children's health restricted receipt account. The Department 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. Each category has a number of specific services within it.

The constrained proposal increases the assessment from \$7,500 per service to \$10,000 per service per child per year for general revenue savings of \$1.9 million in FY 2018. This action requires a statutory change. This change was also proposed in the FY 2016 and FY 2017 recommended budgets but not accepted by the Assembly. *The Governor recommends increasing the assessment to \$12,500 to achieve general revenue savings of \$3.8 million. She includes Section 4 of Article 13 to make the change.*

Estate Recoveries. The Executive Office's Medicaid estate recovery unit recoups medical costs from the estates of Medicaid beneficiaries, including nursing home residents, under certain circumstances, once they have passed away. A claim may not be filed when the recipient is under the age of 55 or for which there is a surviving spouse, minor child or blind/disabled child. The state also intercepts personal income tax refunds to offset overpayment of medical or cash assistance benefits. The FY 2017 enacted budget assumes

savings of \$2.0 million, including \$1.0 million from general revenues from enhanced collection efforts as part of Reinventing Medicaid. The November caseload conference estimate restored the savings consistent with Executive Office testimony that savings could not be achieved. *The Governor assumes savings of \$0.5 million, including \$0.3 million from general revenues from enhanced collections. She includes Article 12 to seek approval to make changes to collection efforts but does not provide any detail as to how the savings will be achieved.*

Coordination of Benefits. The state is the payor of last resort for an individual who has access to third party liability insurance coverage and is Medicaid eligible. As part of Reinventing Medicaid, the FY 2017 enacted budget assumes savings of \$0.9 million, including \$0.4 million from general revenues from coordinating benefits provided to veterans through Medicare and Veterans Administration. The November caseload conference estimate restored the savings consistent with Executive Office testimony that savings could not be achieved in either FY 2017 or FY 2018. *The Governor includes savings of \$0.5 million, including \$0.3 million from general revenues from coordinating benefits, however, does not provide any detail as to how the savings will be achieved.*

Asthma Program. The Department of Health uses federal funding for a pilot program to address the overuse of emergency rooms from children with asthma, the Home Asthma Response Program. *The Governor submits Article 12 to seek federal approval to leverage Medicaid to continue the program beginning in FY 2018. It is anticipated that the program, if approved, will have start-up costs of \$0.2 million from all sources, including \$0.1 million from general revenues; her recommended budget does not include any funding for this program.*

Target - Professional Services Rate Freeze. The Executive Office proposes savings of \$13.6 million from all sources, including \$5.5 million from general revenues, from freezing the rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs. This includes \$2.1 million, \$1.0 million from general revenues in the other medical services program. *The Governor does not recommend this proposal.*

Target - Professional Services Rate Reduction. The Executive Office proposes savings of \$16.9 million from all sources, including \$6.9 million from general revenues, from reducing rates paid to certain health care professionals through the managed care plans and fee-for-service program to include physical, occupational and speech therapy, and habilitative services to children with special health care needs by three percent. This includes \$2.6 million, \$1.3 million from general revenues in the Other Medical Services program. *The Governor does not recommend this proposal.*

Central Management

Reorganization. The 2015 Assembly included legislation that updated the functions assigned to the Executive Office of Health and Human Services and eliminated the transfer dates of certain administrative activities from the other health and human services agencies to the executive office.

This includes: fiscal, legal services, communications, information systems and data management, assessment and coordination for long-term care, program integrity, quality control and collection and recovery functions. The Executive Office did not transfer any function in its FY 2016 or FY 2017 budgets. At that time, financial and legal services had been consolidated according to the Executive Office and the remaining functions were under review for increased coordination and not necessarily consolidation.

The Executive Office also has a three-year term contract with Xerox that started in FY 2011 for administrative and technical assistance for its managed care programs; there was also a provision for three more optional years to extend the contract, which the state did by extending it until FY 2016. The contract

has recently been extended into FY 2017 for a total of \$43.2 million; approximately 100 individuals are employed through the Xerox contract. *The Governor adds 91.0 positions to complete the transfer of finance positions to the Executive Office from the Departments under its umbrella; funding remains with the agencies. The positions include: 39.0 from Human Services; 33.0 from Behavioral Healthcare, Developmental Disabilities and Hospitals; 12.0 from Children, Youth and Families; and 7.0 from Health.*

The Governor's recommendation does not reallocate the funding that supports the positions to the Executive Office's budget from the sending Departments. The funding remains with the sending agencies because a final determination has not been made as to how to account for the federal funds that currently fund affected employees. For example, if an employee is paid for through several federal grants in the Department of Health, those funds would have to be accounted for in the Executive Office's budget.

Unified Health Infrastructure Project. Unified Health Infrastructure Project expenses are projected to be \$61.7 million from all sources, including \$9.6 million from general revenues, \$50.3 million from federal funds and \$1.8 million from the Information Technology Investment Fund in both the Executive Office and Department of Human Services' budgets for FY 2018. This is \$4.3 million more than enacted, including \$3.9 million more from federal funds and \$1.4 million less from general revenues and the use of technology funds that were not included in the enacted budget. *The Governor recommends \$37.5 million less than requested, including \$3.9 million less from general revenues. This is \$36.1 million less than enacted and \$6.3 million less from general revenues. Funding included in the enacted budget supports both system development and ongoing maintenance and operations costs. The recommendation reflects July 2016 submission, which received federal approval in October 2016.*

Unified Health Infrastructure Project				
FY 2016 Spent	General Revenues	Federal Funds	Information Investment Technology Fund	Total
EOHHS	\$ 13,015,924	\$ 79,690,883	\$ -	\$ 92,706,807
DHS	2,024,394	4,563,743	-	6,588,137
Total	\$ 15,040,318	\$ 84,254,626	\$ -	\$ 99,294,944
FY 2017 Governor Revised				
EOHHS	\$ 10,034,012	\$ 66,320,886	\$ -	\$ 76,354,898
DHS	\$ 1,275,870	7,053,288	2,785,117	\$ 11,114,275
Total	\$ 11,309,882	\$ 73,374,174	\$ 2,785,117	\$ 87,469,173
FY 2018 Request				
EOHHS	\$ 7,591,961	\$ 45,734,910	\$ -	\$ 53,326,871
DHS	2,024,394	4,563,743	1,200,000	7,788,137
Total	\$ 9,616,355	\$ 50,298,653	\$ 1,200,000	\$ 61,115,008
FY 2018 to Enacted				
EOHHS	\$ (2,398,534)	\$ 3,738,632	\$ -	\$ 1,340,098
DHS	1,039,473	123,489	1,200,000	2,362,962
Total	\$ (1,359,061)	\$ 3,862,121	\$ 1,200,000	\$ 3,703,060
FY 2018 Governor's Recommended				
EOHHS	\$ 3,741,061	\$ 12,131,128	\$ -	\$ 15,872,189
DHS	907,969	2,849,659	1,224,027	4,981,655
Total	\$ 4,649,030	\$ 14,980,787	\$ 1,224,027	\$ 20,853,844
FY 2018 Governor to FY 2017 Enacted				
EOHHS	\$ (6,249,434)	\$ (29,865,150)	\$ -	\$ (36,114,584)
DHS	(76,952)	(1,714,084)	24,027	(2,806,482)
Total	\$ (6,326,386)	\$ (31,579,234)	\$ 24,027	\$ (38,921,066)

Health Analytics and Policy. The Governor's Working Group for Healthcare Innovation recommended the creation of a central office to oversee health policy initiatives and coordinate public hearings that inform the state's understanding of its health care spending, the associated drivers, and possible solutions for cost containment. The Executive Office would oversee the cost trends hearing, which is the public examination of health care costs, and a contractor with claims analysis and health care actuarial experience.

The Governor's FY 2017 recommendation included \$0.8 million, including \$0.4 million from general revenues to hire a contractor. The Assembly did not include any funding for this in FY 2017.

The Executive Office's revised request includes \$400,000, including \$200,000 from general revenues for a newly awarded contract with Freedman Healthcare to conduct research among state residents to assess trends in health insurance coverage. The enacted budget did not include funding for this activity. It should be noted that this is a one-year project; funding is not requested for FY 2018. *The Governor recommends the revised funding as requested and adds \$250,000 for FY 2018 for a contractor to address the cost trends analysis and conduct public hearings.*

Currentcare. The Executive Office's FY 2018 request includes \$0.3 million from general revenues to be matched with \$2.7 million from Medicaid for a total payment of \$3.0 million for the state's payment for medical assistance recipients in the exchange. The Executive Office has amended its contract with the Rhode Island Quality Institute to make a payment equal to the appropriation and not based on the \$1 per member per month charge. *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 Executive Office includes \$3.7 million from federal funds to support the electronic health records initiative in FY 2018; this is \$4.4 million below the enacted level for projected expenses. *The Governor recommends funding as requested.*

Race to the Top. The Executive Office's request excludes the \$0.1 million from federal Race to the Top funds as funding from the time limited grant has been spent. *The Governor recommends funding as requested.*

State Innovation Models Grant. The Executive Office was awarded a four-year \$20.0 million State Innovation Models Grant to address health care delivery and includes \$4.0 million for contracted financial services, which includes \$1.5 million to be awarded to the Rhode Island Quality Institute to implement a statewide common provider directory that is needed in order to increase the health information technology infrastructure in the state to support health care reform and value based payment initiatives. The request also includes \$0.1 million for one position, \$0.1 million less than enacted. *The Governor recommends funding as requested.*

Electronic Visit Verification. The Executive Office requests \$0.6 million from all sources, including \$0.1 million from general revenues to implement an electronic visit verification system for home health care providers. The FY 2017 enacted budget includes savings of \$1.5 million from all sources, including \$0.7 million from general revenues from the fully implemented system. *The Governor recommends funding as requested.*

Predictive Modeling Initiative. The enacted budget includes \$2.3 million from all sources, of which \$0.3 million is from 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 Executive Office to disqualify claims before being paid and disqualifying Medicaid providers.

The FY 2018 request is \$1.1 million from all sources, including \$0.3 million from general revenues, which is \$1.3 million less than enacted including \$20,292 less from general revenues. *The Governor recommends funding as requested.*

HIV Treatment Services and Administration. The Office's request includes \$11.6 million from all sources, including \$7.8 million from restricted receipts and \$3.8 million from federal funds for HIV treatment services and administration. The request is \$4.0 million more than enacted from drug rebate funds and supports six positions. As of July 1, 2016, there was a \$6.1 million balance available in drug rebates and the revised budget uses \$2.2 million and the FY 2018 request uses \$4.0 million. The funds will support expanded eligibility to 500 percent of poverty from 400 percent and drugs beyond those used to treat individuals with HIV. This includes treating individuals for behavioral health care issues and other health related problems such as diabetes. *The Governor recommends funding as requested.*

Demonstration Ombudsman Grant. The Executive Office includes \$149,314 from federal funds for the demonstration ombudsman grant. This includes \$146,500 for the second year of a three-year contract (with two option periods) with Rhode Island Parent Information Network to operate the ombudsman program and \$2,814 for operating expenses. *The Governor recommends funding as requested.*

Early Intervention. The Executive Office requests \$2.3 million from all sources, including \$0.3 million from general revenues for early intervention program costs. Early intervention expenses include \$1.6 million for contracted services, including \$0.9 million to the Rhode Island Parent Information Network to support parent consultants at ten provider sites, \$0.6 million to Rhode Island College and \$0.2 million for Xerox contracted staff. *The Governor recommends funding as requested.*

Central Administration Expenses. The Executive Office requests \$59.8 million, including \$21.9 million from general revenues for central administration operations. This is \$1.8 million more from all sources, including \$0.4 million more from general revenues than the enacted budget. The Executive Office does not reduce any funding for central administration in its constrained request.

The Executive Office requests \$21.7 million from all sources for staffing, including \$11.6 million from general revenues to fund 175.0 positions. The request is \$1.2 million more than enacted primarily from federal funds.

The request also includes \$34.7 million for contracted services to support the Medicaid Management Information system and RItE Care program administration. The Executive Office requests \$0.8 million less for all other operating expenses including \$0.3 million more from general revenues.

The Governor recommends \$14,638 less than requested, including \$41,495 from statewide benefit savings. The recommendation also adds \$0.2 million from general revenues related to members of the Governor's staff. First, 1.0 position is eliminated to reflect the movement of a former staff member to the Governor's Office roster. Partial funding for that position, formerly a shared federal funds expense, remains with the Executive Office. Second, half the cost for the Governor's Chief Operating Officer is now allocated to the Executive Office.

Special Education. The Executive Office requests \$28.0 million from federal funds for special education services provided by the local education agencies. This includes the enacted level of \$19.0 million for direct services and \$9.0 million for administration costs. *The Governor recommends funding as requested.*

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The Governor recommends legislation that affects implementation and operation for some of the Executive Office's programs. These are included as articles in the Governor's FY 2018 recommended budget and are summarized as follows.

Article 12. Medicaid Resolution. Article 12 includes the resolution language for Assembly approval to make program changes included in the Governor's FY 2018 budget. The resolution eliminates the October 1, 2017 nursing home adjustment and further reduces rates based on acuity and reduces hospital rates by one percent from the FY 2017 level starting January 1, 2018. It also changes the rate reimbursements methodology for community health centers; the necessary statutory changes are included in Article 13.

Article 12 also identifies the budget proposals that do not require statutory change but do require notification to the Assembly. These are: collection of patient liability, payment reform for adult dental services, reduction of managed care plans administrative rates, changes to the Integrated Care Initiative and administrative changes to the long term care service and supports eligibility determination process. It includes waiver authority to seek Medicaid reimbursement for the Home Asthma Response Program and Centers of Excellence initiative to treat opioid addiction. It allows the Executive Office of Health and Human Services to seek federal opportunities that do not adversely impact beneficiaries or increase program expenses beyond the FY 2018 appropriation. The Governor's budget includes savings of \$62.6 million, \$28.5 million from general revenues from the proposals contained in this article.

Article 13. Medical Assistance and Uncompensated Care. Article 13 eliminates the October 1, 2017 adjustment for nursing facilities and changes the reimbursements made based on acuity. It freezes hospital rates at the FY 2017 level and, starting January 1, 2018, further reduces those rates by one percent. It includes a 50.0 percent reduction to the two upper payment limit reimbursements made to community hospitals, eliminates the payment for graduate medical education activities and changes the definition of a participating hospital for the purposes of uncompensated care.

The article changes the methodology used to reimburse community health centers and increases wages paid to home care workers. It also increases the \$7,500 assessment made against commercial insurers to \$12,500 for services to be deposited into the children's health account. The Governor's budget includes \$3.6 million in additional revenue to offset state expenses from the proposed increase.

Article 14. Licensing of Hospital Facilities. This article extends the hospital licensing fee in FY 2018 at a rate of 5.652 percent on net patient services revenue for all community hospitals except South County and Westerly, which will be assessed a 3.55 percent license fee. It includes the due date for filing returns and making the payment. The Governor's budget includes revenue from the two-tiered fee totaling \$169.0 million, including \$162.4 million from community hospital payments and \$6.6 million from state payments for Eleanor Slater Hospital. The article includes an updated base year against which the license fee will be assessed; however, the revenues assumed in the Governor's budget are based on 2015. This article appears annually in the Appropriations Act.

Department of Children, Youth and Families

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 9,882,523	\$ 9,447,119	\$ 12,959,847	\$ 9,989,054
Child Welfare	171,115,510	173,222,984	177,328,260	164,129,195
Juvenile Corrections	25,208,465	23,894,243	23,732,953	24,204,738
Children's Behavioral Health	10,083,325	11,519,691	10,442,877	10,546,965
Higher Education Incentive Grants	200,000	200,000	200,000	200,000
Total	\$ 216,489,823	\$ 218,284,037	\$ 224,663,937	\$ 209,069,952
Expenditures by Category				
Salaries and Benefits	\$ 71,901,196	\$ 70,412,973	\$ 77,488,053	\$ 72,706,793
Contracted Services	4,972,437	4,899,404	4,081,805	4,193,313
Subtotal	\$ 76,873,633	\$ 75,312,377	\$ 81,569,858	\$ 76,900,106
Other State Operations	8,126,897	7,585,937	7,573,429	7,273,053
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	130,649,293	134,426,050	134,560,650	123,796,793
Capital	840,000	959,673	960,000	1,100,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 216,489,823	\$ 218,284,037	\$ 224,663,937	\$ 209,069,952
Sources of Funds				
General Revenue	\$ 151,773,764	\$ 156,296,331	\$ 161,794,752	\$ 149,855,862
Federal Aid	60,409,483	57,877,731	58,795,788	55,015,159
Restricted Receipts	3,466,576	3,150,302	3,113,397	3,098,931
Other	840,000	959,673	960,000	1,100,000
Total	\$ 216,489,823	\$ 218,284,037	\$ 224,663,937	\$ 209,069,952
FTE Authorization	629.5	628.5	695.0	616.5

Summary. The Department of Children, Youth and Families requests \$224.7 million from all funds, including \$161.8 million from general revenues, \$58.8 million from federal funds, \$3.1 million from restricted receipts, and \$1.0 million from Rhode Island Capital Plan funds. This is \$8.2 million more than enacted including \$10.0 million more from general revenues, \$1.6 million less from federal funds, \$0.4 million less from restricted receipts, and \$0.1 million more from Rhode Island Capital Plan funds. The increased request primarily reflects funding for new positions, cost increases for placement services, unachieved savings from initiatives included in the enacted budget, and current service adjustments. The Department's staffing request for 695.0 full-time equivalent positions is 65.5 more than the enacted authorization.

The Governor recommends \$209.1 million from all funds, which is \$7.4 million less than enacted and \$15.6 million less than requested. The recommendation includes \$149.9 million from general revenues, \$1.9 million less than enacted and \$11.9 million less than requested. The staffing recommendation includes

616.5 full-time equivalent positions, 13.0 fewer than enacted to reflect the transfer of staff to the Office of the Governor and the Executive Office of Health and Human Services.

Target Issues. The Budget Office provided the Department with a general revenue target of \$142.3 million. The amount includes current service adjustments of \$2.6 million and an 8.0 percent target reduction of \$12.1 million.

FY 2018 Budget	Budget Office	Children, Youth and Families	Difference
FY 2017 Enacted	\$ 151,773,764	\$ 151,773,764	\$ -
Current Service Adjustments	2,590,227	6,974,403	4,384,176
New Initiatives	-	3,046,585	3,046,585
<i>Change to FY 2017 Enacted</i>	\$ 2,590,227	\$ 10,020,988	\$ 7,430,761
FY 2018 Current Service/Unconstrained Request	\$ 154,363,991	\$ 161,794,752	\$ 7,430,761
Target Reduction/Initiatives	(12,113,122)	(15,683,001)	(3,569,879)
FY 2018 Constrained Target/Request	\$ 142,250,869	\$ 146,111,751	\$ 3,860,882
<i>Change to FY 2017 Enacted</i>	\$ (9,522,895)	\$ (5,662,013)	\$ 3,860,882

The constrained budget submitted by the agency is \$3.9 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$3.7 million above the target.*

Staffing

The Department of Children, Youth, and Families requests \$77.5 million from all sources for salaries and benefits, including \$55.6 million from general revenues and \$21.9 million from federal funds. This is \$5.6 million more than enacted, including \$4.5 million more from general revenues and \$1.1 million more from federal funds. This primarily reflects funding for new positions and the restoration of some turnover savings assumed in the enacted budget within the Central Management, Child Welfare and Children's Behavioral Health programs. These increases are partially offset by a number of other changes. First, the Department laid off 9.0 full-time equivalent teacher positions at the Training School in September 2016. The Department also projects savings from the elimination of vacant but funded positions within Juvenile Corrections and additional turnover savings within Central Management. The request includes 695.0 full-time equivalent positions, 65.5 more than the enacted authorization. These changes are described in detail where appropriate in this analysis.

It should be noted that the Department continues to experience a high level of vacancies. As of the pay period ending November 26, 2016, the Department had 525.6 filled positions, 103.9 fewer than its authorized level. It is likely that the newly requested positions could be filled within the existing authorization.

The Department's constrained request eliminates all 66.0 newly requested positions for savings of \$4.4 million from all sources, including \$3.6 million from general revenues. The constrained request also reduces the requested full-time equivalent position authorization by 66.0.

The Governor's recommendation includes 616.5 full-time equivalent positions, 13.0 fewer than enacted. This reflects the elimination of one position now funded through the Office of the Governor and the transfer of 12.0 finance staff to the Executive Office of Health and Human Services for the consolidation of finance within the Executive Office. The Governor does not recommend any of the new positions requested by the Department. She does concur with the elimination of the 9.0 full-time equivalent teacher positions at the Training School and the elimination of vacant but funded positions in Juvenile Corrections. The positions are reallocated to Central Management and Child Welfare, as requested.

Placements and Services

Unachieved Savings - Medicaid Reimbursement. The enacted budget assumed general revenue savings of \$2.1 million through additional federal funding from increased billings for Medicaid eligible services. These services are primarily community-based and home-based services provided to children and teens with serious behavioral and emotional health issues. The savings assume a 75.0 percent Medicaid eligibility rate for the services the Department intends to claim. The Department's request restores unachieved savings of \$0.7 million from general revenues from this initiative. The Department experienced similar difficulties in collecting anticipated Medicaid reimbursements during FY 2016. The Department indicates that these savings were not achieved primarily because many of its vendors lack proper documentation to complete the reimbursement process for prior years. The Department further indicates that this unachieved savings estimate may change depending upon the array of Medicaid-eligible services it identifies subsequent to its congregate care contract reprocurement. *The Governor concurs with the Department's request and restores the savings.*

Unachieved Savings - SSI Recovery. The enacted budget assumed general revenue savings of \$550,000 by shifting additional expenditures to restricted receipts for the children's trust account based on a new initiative that would increase claiming of Supplemental Security Income funds administered by the Social Security Administration. The Department's request restores unachieved savings of \$246,718 from general revenues from this initiative. The Department experienced similar difficulties in collecting anticipated Supplemental Security Income benefits during FY 2016. The Department attributes these unachieved savings primarily to a lack of proper documentation for many of the children deemed potentially eligible for these benefits. Additionally, the Department's review process with PCG Consulting, Inc. for this savings initiative did not begin until April of 2016. *The Governor concurs with the Department's request and restores the savings.*

Unachieved Savings - Contracts Not Utilized. The enacted budget assumed general revenue savings of \$1.7 million through the elimination of redundant or underperforming provider services. The Department's request restores the full \$1.7 million from general revenues from this initiative. The Department was undergoing a comprehensive contract reprocurement for its congregate care service array at the time of its budget submission and, because of this, could not update its savings estimates. The contract reprocurement was completed in January 2017. *The Governor concurs with the Department's request and restores the savings.*

Foster Care and Adoption. The Department requests \$27.7 million from all sources for foster care and adoption services, including \$20.7 million from general revenues and \$7.0 million from federal funds, which is \$0.7 million more than enacted from all sources and \$0.4 million more from general revenues. This is consistent with the Department's revised request, adjusted for an updated Title IV-E matching rate, and is largely consistent with FY 2016 spending of \$27.7 million for these same services. It should be noted that the Department's average monthly foster care caseload was 1,301 during FY 2016, while the monthly average for the first five months of FY 2017 is 1,227. Though the total caseload has decreased relative to FY 2016, the level of need for some children in foster care placements is higher than in past years. This is related to the Department's efforts to decrease reliance on higher cost, more intensive congregate care placements by shifting more children and youth in its care to foster care and other lower cost placement types. Many of these children and youth may have more intensive needs than the foster care population in past years. It should also be noted that this does not include payments for private agency foster care placements, which typically provide a more intensive level of care and are tracked separately.

As part of the Department's efforts to produce placement cost savings, it has identified a series of goals it hopes to achieve to reform its foster care service delivery system. These goals include increasing the Department's foster care retention and recruitment rates by improving support services for foster parents through "support centers," which will provide round-the-clock assistance to foster families in need of advice

and resources. Additional steps include increasing contact between Department staff and families that are assigned to them and further improving the Department's assessment processes to ensure that children are placed into the proper level of care as quickly and seamlessly as possible. The Department indicates that approximately \$1.1 million of additional funding in FY 2017 and FY 2018 would be needed to implement these reforms. The funding would be used for start-up costs to establish the new support centers, train staff and contractors to work with these new support centers to increase access to support services for foster families, and pay additional foster families that would be recruited through this effort.

The Governor recommends \$0.2 million less than requested from all sources, including \$0.3 million less than requested from general revenues. The recommendation includes \$0.4 million for start-up investments and operating support to establish new support centers and for staff training. Neither the Department nor the Budget Office could identify specific information on the planned use of this funding beyond the summary information noted above. The recommendation also includes decreases of \$0.1 million from general revenues to reflect an updated federal matching rate and \$0.5 million based on updated caseload projections. The monthly average caseload for the first seven months of FY 2017 is 1,235, which is 66 less than FY 2016 experience used as the baseline for the request.

Daycare. The Department requests \$6.0 million from all sources for daycare subsidies provided to children in the Department's care, including \$4.9 million from general revenues and \$1.0 million from federal funds. This is \$0.6 million more than enacted, including \$0.3 million from general revenues and \$0.3 million from federal funds, and is consistent with the Department's revised request adjusted for an updated Title IV-E matching rate. This reflects FY 2016 caseload experience, when the Department's daycare caseload was higher than anticipated. The request is \$0.2 million less than FY 2016 spending, including \$0.3 million less from general revenues and \$0.2 million more from federal funds. The Department indicates that the request is less than FY 2016 spending due entirely to a delay in processing \$0.2 million in payments from FY 2015 that were not reflected as expenditures until FY 2016, which inflated the FY 2016 spending figure somewhat.

In addition to an overall increase in caseload, the Department has also seen more full-time daycare subsidies for infants, toddlers, and pre-school aged children than in previous years. Full-time subsidies are more expensive than part-time subsidies. It is likely that as the Department continues to transition children from congregate care placements into foster care and adoption placements, daycare subsidy costs will continue to increase. *The Governor's recommendation shifts \$10,920 from general revenues to federal funds to reflect an updated match.*

Target - Licensing Efficiencies and Child Care Violation Fees. The Department's constrained request includes a proposal to save \$0.1 million from general revenues by increasing revenues through new fines assessed on child care centers and family child care homes for licensing violations. This would require the Department to develop a new fee structure for assessing these fines, as a framework for these licensing violation fines does not currently exist. The Department's estimate assumes that 385 family child care homes would be assessed fines ranging from \$25 to \$100 per violation annually and 363 child care centers would be assessed fines ranging from \$100 to \$500 per violation annually. *The Governor's recommendation does not include these revenues.*

All Other Placements and Services. The request includes \$96.8 million from all sources for all other placements and services provided by the Department to client populations, including \$66.4 million from general revenues. This is \$0.8 million more than enacted, including \$2.8 million more from general revenues, \$1.8 million less from federal funds, and \$0.1 million less from restricted receipts. These services include congregate care placements formerly provided through the System of Care networks, community-based services to children and families such as in-home parenting training, individual and family counseling, and emergency services, private agency foster care placements, higher education scholarships for youths 18 to 21, and a variety of other placement types. The Department indicates that its cost estimate

for these services is based upon caseloads experienced in the last six months of FY 2016. The request reflects increases in average per diem costs for services formerly provided through the System of Care networks.

Services formerly provided through the System of Care include placements in emergency shelters, private agency foster care, group homes, independent and semi-independent living arrangements, and residential treatment centers. Though the Department utilized a new caseload estimating methodology in developing its request, it did not indicate which if any of these service types is driving the increased request. Using the former, population-based methodology for estimating service costs, costs for emergency shelter placements and group home placements are decreasing by \$0.6 million and \$1.5 million, respectively, due to significant declines in caseloads for those placement types. However, these savings are offset entirely by increases for other placement types. The most significant driver of the increased costs is \$4.4 million more for residential treatment center placements, by far the most expensive type of care. Placement costs for private agency foster care, semi-independent and independent living arrangements are also projected to increase.

The Department's constrained request includes a proposal to save \$10.8 million from all sources, including \$7.8 million from general revenues, through a 40 percent reduction in its congregate care placements. This would be achieved by shifting children and youth into foster care and other lower-intensity settings when appropriate and also reducing the Department's overall caseload by expediting permanent placements. At the close of FY 2016, approximately 25 percent of all placement days (i.e., "bed days") experienced by children in Department care were in group and residential settings. This constrained proposal assumes the Department could reduce that case mix share to roughly 15 percent by January 2018 and continue to reduce the number of bed-days consumed by approximately 2 percent.

The Governor's recommendation includes the proposal identified in the constrained request but assumes a more modest reduction in congregate care placements than the Department. The Governor's recommendation includes \$3.8 million from general revenue savings, \$9.4 million from all sources, from this initiative to reduce congregate care placements. Savings estimates reflect the Department's recent contract reprocurement and assume a 25 percent reduction in congregate care placements, rather than the 40 percent reduction assumed by the Department. As previously mentioned, the Governor's recommendation also includes \$0.4 million of additional support for investments to increase support services for foster families as part of the Department's strategy to shift more children into lower-level, less costly placement types. In total, the recommendation includes \$0.3 million more from all sources than the constrained request, including \$0.4 million more from general revenues.

Juvenile Corrections

Training School Educational Costs (8.0 FTE). The request includes \$2.6 million from general revenues for staffing costs and associated educational services and operations within the Training School educational program, \$1.0 million less than enacted. This primarily reflects the elimination of 9.0 filled positions in September and October of 2016 to reflect the continuing reduction of the Training School population. Eliminated positions include 1.0 special education academic teacher and 2.0 academic teachers in September 2016 and 1.0 industrial arts academic teacher, 3.0 special education academic teachers, and 2.0 academic teachers in October 2016, and also 1.0 vacant academic teacher/health nurse position. These savings are partially offset by costs to fund 1.0 newly requested physical education teacher for nine months.

The constrained request excludes the newly requested 1.0 physical education teacher position for savings of \$0.1 million from general revenues.

The Governor recommends funding consistent with the constrained request, adjusted for \$11,409 less from general revenues for statewide benefit savings.

Juvenile Corrections Vacancies (16.2 FTE). The request includes \$0.9 million less than enacted from all sources to reflect the elimination of vacancies within the Juvenile Corrections Program in FY 2017, including \$0.9 million less from general revenues and \$28,102 less from federal funds. This largely reflects the elimination of 16.2 non-education related vacancies at the Training School and in the Juvenile Probation unit. Eliminated positions include probation and parole officers, social workers, juvenile program workers, cottage managers, and various administrative staff positions. The Department indicates that these vacancies were reduced based on staffing levels at the end of FY 2016 and to reflect the continuing decline of the Training School population and the Department's probation and parole caseload. This same reduction is reflected in the Department's revised request. This is in addition to the elimination of 12.8 positions as part of the vacancy reduction included in the enacted budget. It should be noted that this reduction is partially offset by 6.0 new positions requested within Juvenile Corrections, primarily data entry and finance staff, which are discussed separately where appropriate. *The Governor recommends funding and the elimination of the vacancies as requested.*

Other New Juvenile Corrections Staff (5.0 FTE). The Department requests \$0.3 million from general revenues for 5.0 other new positions for the Training School. This includes eight months of funding for 3.0 data control clerks and nine months of funding for 2.0 juvenile program workers. The Department indicates that these positions will fulfill unmet needs within the Training School, including providing greater data entry and management capacity.

The Department's constrained request excludes these newly requested positions for savings of \$0.3 million from general revenue. The Department indicates that the elimination of these positions would impact its efforts to meet anticipated staffing needs at the Training School.

The Governor does not recommend the new positions or funding.

Other Juvenile Corrections Staffing. The Department requests \$17.7 million from all sources for the other 169.0 Juvenile Corrections positions, including \$17.5 million from general revenues and \$0.2 million from federal funds. This is \$25,646 less than enacted from general revenues. Based on an average cost per position of \$108,048 within Juvenile Corrections, the request leaves approximately 11.5 positions vacant and provides funding for 157.5 positions.

The Department's constrained request includes additional turnover savings of \$59,562. Based on an average cost per position of \$109,643 within Juvenile Corrections in the constrained request, this is equivalent to the annual cost of a 0.5 full-time equivalent position.

The Governor recommends funding consistent with the constrained request, adjusted for \$76,076 less from general revenues for statewide benefit savings.

Target - Training School Education Costs Billing. The Department's constrained request includes a proposal to permit the Department to bill home districts for the entirety of the cost of education for youth in dedicated juvenile justice placements, estimated to save \$2.6 million from general revenues. This savings estimate assumes that the Department would be able to bill local education agencies for the full cost of education for 75 youths. This would require a statutory change to current law that requires the Department to fully fund the cost of education for children in its care. This proposal would also shift costs from the Department to local education agencies. Last year's constrained request included an identical proposal, but the Governor did not recommend the savings and the Assembly concurred. *The Governor does not recommend this savings proposal.*

Other Services. The Department requests \$2.3 million from general revenues for other services associated with the Juvenile Corrections program, \$0.1 million more than enacted. This includes \$46,490 more for services provided to youth incarcerated at the Training School and \$57,196 more for probation and parole

services for youth involved with the Department. It should be noted that both the population of youths at the Training School as well as the Department's parole and probation caseload have declined significantly in recent years.

Based upon the Training School population for the first five months of FY 2017, the Department's FY 2017 projected population is 73 youths. This is 13 fewer than FY 2016 and 25 fewer than FY 2015. The request for services at the Training School is \$22,859 less and \$0.3 million less than spending in FY 2016 and FY 2015, respectively. The request for probation and parole services is also \$82,103 more than FY 2016 spending and \$43,438 more than FY 2015 spending, when the Department's probation and parole caseloads were similar to the FY 2017 projections. The Department indicates that the increased request for these services primarily reflects slight increases for certain types of services for youth on probation and parole and is based upon caseload experience for the last six months of FY 2016. *The Governor recommends funding as requested.*

Operations. The Department requests \$1.5 million from general revenues and \$73,588 from federal funds for other Juvenile Corrections expenses. This is \$14,306 less than enacted, including \$8,634 less from general revenues, and includes \$46,608 less for office supplies and equipment partially offset by \$16,400 more for contracted legal services and \$16,487 more for building maintenance and grounds keeping. *The Governor recommends \$2,220 less than requested from general revenues to reflect utility savings from a new natural gas contract.*

Overhead and Other Programs

Administrative Support Staff (20.0 FTE). The Department requests \$0.8 million for 20.0 new administrative support staff, including \$0.5 million from general revenues and \$0.3 million from federal funds. This includes eight months of funding for 2.0 child support technicians, nine months of funding for 1.0 clerk secretary, eight months of funding for 4.0 data control clerks, six months of funding for 3.0 implementation aides, six months of funding for 8.0 senior word processing typists, and eight months of funding for 2.0 storekeepers. These positions will be distributed across different programs and units and fulfill a variety of duties aimed at supporting frontline and management staff.

The Department's constrained request excludes these newly requested positions for savings of \$0.5 million from general revenues and \$0.3 million from federal funds. The Department indicates that the elimination of these positions would impact its efforts to enhance its administrative support capacity and reduce overall workloads for its employees.

The Governor does not recommend the new positions or funding.

Assessment Unit Staff (5.0 FTE). The Department requests \$0.4 million from all sources for 5.0 new positions to support the work of its new Assessment Unit, including \$0.3 million from general revenues and \$0.1 million from federal funds. This includes nine months of funding for 1.0 assistant administrator of family and children's services, nine months of funding for 2.0 chief implementation aides, and six months of funding for 2.0 professional services coordinators. These positions will be responsible for assessing the level of need of children and youth that enter the Department's care to ensure that they are assigned to the proper placement type. The Department indicates that it is still designing and developing the Assessment Unit and anticipates that the Unit will be operational by the summer of 2017.

The Department's constrained request excludes these newly requested positions for savings of \$0.3 million from general revenues and \$0.1 million from federal funds. The Department indicates that the elimination of these positions would likely impact its ability to improve its processes for assessing the level of need of children and youth that enter the Department's care to ensure that they are assigned to the proper placement type.

The Governor does not recommend the new positions or funding.

Case Workers (14.0 FTE). The Department requests \$1.1 million from all sources for 14.0 new case worker positions, including \$0.8 million from general revenues and \$0.3 million from federal funds. This includes nine months of funding for 4.0 chief case work supervisors and eight months of funding for 10.0 senior case work supervisors. The Department indicates that some of these positions will likely be hired from a pool of social case workers who formerly worked at the Department of Human Services. The Department indicates that hiring additional case workers will allow it to reduce the average caseload of its frontline social work staff and improve overall service delivery to children and families under its care.

The Department's constrained request excludes these newly requested positions for savings of \$0.8 million from general revenues and \$0.3 million from federal funds. The Department indicates that the elimination of these positions would impact its efforts to reduce the average caseload of its frontline staff.

The Governor does not recommend the new positions or funding.

Child Protective Services Staff (7.0 FTE). The Department requests \$0.5 million from all sources for 7.0 new positions in its Division of Child Protective Services, including \$0.3 million from general revenues and \$0.2 million from federal funds. This includes nine months of funding for 1.0 assistant director for the Division of Child Protective Services, nine months of funding for 1.0 chief case work supervisor, and seven months of funding for 5.0 child protective investigators. The Department indicates that these positions are needed to fully staff the Division and reduce overtime costs; however, the request does not include an associated reduction in overtime expenses for Child Protective Services staff. It should be noted that these 7.0 new full-time equivalent positions could likely be filled within existing vacancies, based on current staffing levels.

The Department's constrained request excludes these newly requested positions for savings of \$0.3 million from general revenues and \$0.2 million from federal funds. The Department indicates that the elimination of these positions would likely impact its ability to reduce overtime expenses and reduce the average caseload of its frontline staff.

The Governor does not recommend the new positions or funding.

Other Child Welfare Staffing. The Department requests \$44.4 million from all sources for the other 380.0 Child Welfare positions, including \$27.1 million from general revenues and \$17.3 million from federal funds. This is \$2.5 million more than enacted, including \$2.9 million more from general revenues and \$0.4 million less from federal funds. This primarily reflects the restoration of turnover savings included in the enacted budget, equivalent to approximately 21.0 positions, and current service adjustments. Based on an average cost per position of \$109,709 within Child Welfare, the request leaves approximately 20.5 positions vacant and provides funding for 359.5 positions.

The Department's constrained request includes additional turnover savings of \$39,095 from all sources, including \$0.6 million less from general revenues and \$0.5 million more from federal funds. This reflects a shift of staffing costs from general revenues to federal funds. Based on an average cost per position of \$113,570 within Child Welfare in the constrained request, this is equivalent to shifting costs to federal funds for approximately 4.5 full-time equivalent positions.

The Governor recommends funding consistent with the constrained request, adjusted for \$127,713 less from general revenues for statewide benefit savings. Her recommendation also restores some turnover savings assumed in the enacted budget, as requested.

Target - Streamline Child Protective Services. The Department's constrained request includes a proposal to save \$0.1 million from general revenues by reducing mileage expenses and overtime within the Child Protective Services Division. It should be noted that some of these savings are likely to be recouped regardless of this constrained proposal, as the Department has also requested 7.0 new staff positions within Child Protective Services to fully staff the division and reduce staff caseloads. *The Governor's recommendation includes the savings from this proposal.*

Contract Management Staff (4.0 FTE). The Department requests \$0.4 million from all sources for 4.0 new staff positions within its Contracts and Compliance Division, including \$0.3 million from general revenues and \$0.1 million from federal funds. This includes a full year of funding for 1.0 associate director of the Division of Management Services, nine months of funding for 2.0 contract compliance officers, and six months of funding for 1.0 implementation aide. The Department reports that as of early January 2017, the Division had 6.0 filled positions. The staff currently within the Division are responsible for tasks related to the enforcement of Department contracts; these tasks include purchasing services from vendors, entering contracts with vendors as a result of competitive bidding, and managing the contracts to ensure that the Department is receiving the services it has paid for and achieves the outcomes delineated in the contracts. The 4.0 new positions included in the request will allow the Department to expand these activities and assist with the management of new contracts with provider agencies that will be signed as part of the service array reprourement following the dismantlement of the former System of Care.

The Department's constrained request excludes these newly requested positions for savings of \$0.3 million from general revenues and \$0.1 million from federal funds. The Department indicates that the elimination of these positions would likely impact its efforts to provide more active oversight of contracts with provider agencies.

The Governor does not recommend the new positions or funding.

Child and Family Service Review Staff (7.0 FTE). The Department requests \$0.5 million from all sources for 7.0 new positions to conduct work related to an upcoming child and family service review, including \$0.4 million from general revenues and \$0.1 million from federal funds. This includes nine months of funding for 1.0 assistant chief of planning, 1.0 principal program analyst, 2.0 programming services officers, 1.0 public health epidemiologist and 1.0 senior public health epidemiologist, and six months of funding for 1.0 senior word processing typist. Child and family services reviews are standard federal reviews meant to ensure conformity with federal child welfare requirements. The Department will conduct this review over the course of FY 2017 and FY 2018 as part of the third round of these federal reviews, which are taking place in states across the country between calendar years 2015 and 2018. It should be noted that these positions may be one-time given that anticipated work identified by the Department is primarily, if not entirely, related to conducting this federal review.

The Department's constrained request excludes these newly requested positions for savings of \$0.4 million from general revenues and \$0.1 million from federal funds. The Department indicates that the elimination of these positions would likely impact its ability to comply with the requirements of the child and family service review.

The Governor does not recommend the new positions or funding.

Other Central Management Staffing. The Department requests \$7.4 million from all sources for the other 65.0 Central Management positions, including \$5.0 million from general revenues and \$2.4 million from federal funds. This is \$0.6 million more than enacted, including \$0.4 million more from general revenues and \$0.2 million more from federal funds. This primarily reflects the restoration of turnover savings included in the enacted budget.

The Department's constrained request includes an additional \$2,471 of turnover savings, including \$18,991 less from general revenues and \$21,462 more from federal funds.

The Governor recommends funding consistent with the constrained request, adjusted for \$156,033 less for the elimination of 1.0 position transferred from the Department to the Office of the Governor and \$23,979 less from general revenues for statewide benefit savings. Her recommendation also restores some turnover savings assumed in the enacted budget, as requested.

Other New Staff (3.0 FTE). The Department requests \$0.2 million from all sources for 3.0 new staff positions, including \$0.1 million from general revenues and \$0.1 million from federal funds. This includes nine months of funding for 1.0 chief implementation aide, six months of funding for 1.0 chief of strategic planning, monitoring, and evaluation, and six months of funding for 1.0 implementation aide. These positions would be responsible for a variety of tasks and would be distributed across various divisions and units.

The Department's constrained request excludes these newly requested positions for savings of \$0.1 million from general revenues and \$0.1 million from federal funds. The Department indicates that the elimination of these positions would impact its efforts to complete various Departmental initiatives aimed at improving service delivery to its client population.

The Governor does not recommend the new positions or funding.

Children's Behavioral Health Staffing. The Department requests \$2.3 million from all sources for staffing costs for 16.0 positions within the Children's Behavioral Health program, including \$1.6 million from general revenues and \$0.7 million from federal funds. This is \$0.3 million more than enacted, including \$0.2 million more from general revenues and \$0.1 million more from federal funds. This primarily reflects the restoration of turnover savings included in the enacted budget and benefit rate adjustments consistent with Budget Office planning values for FY 2018. Based on an average cost per position of \$140,848 within Children's Behavioral Health, this is equivalent to filling approximately two vacancies. *The Governor recommends \$7,811 less than requested from general revenues to reflect statewide benefit savings.*

Capital Projects. The Department requests \$1.0 million from Rhode Island Capital Plan funds for capital projects. This is \$120,000 more than the enacted budget and consistent with the capital budget request. Changes to the enacted budget include \$250,000 less for repairs and improvements to the Training School, \$0.6 million less to upgrade fire detection and sprinkler systems in provider group homes and residential facilities, \$150,000 more to refurbish the former North American Family Institute building into a new storage and maintenance facility for the Training School, \$250,000 more for new construction and upgrades to existing facilities to expand community-based care provider capacity, \$500,000 more to conduct a feasibility study to assess the Department's organizational structure and facility needs, and \$60,000 more to upgrade various rooms at the Department's main 101 Friendship Street office in downtown Providence. *The Governor recommends \$0.3 million more than enacted and \$0.1 million more than requested, consistent with her capital budget recommendation. These projects are discussed in detail in the Capital Budget section of this publication.*

Target - Energy Efficiencies. The Department's constrained request includes a proposal to save \$0.3 million from general revenues by installing energy efficiency upgrades at the Department's 101 Friendship Street office including automated lighting and climate control systems. The Department notes that this would require upfront capital investments of \$420,000 in order to achieve these savings. *The Governor's recommendation includes the savings from this proposal, though her recommendation does not include funding for the upfront capital investments in the Department's budget. It appears that funding in the*

Department of Administration's recommended budget for energy efficiency upgrades could be used for this purpose.

RICHIST Support Contract. Consistent with the enacted budget, the Department requests \$1.8 million from all sources for its contract with NTT Data, Inc. for maintenance and support of the Rhode Island Child Information System, including \$0.8 million from general revenues and \$1.0 million from federal funds. NTT currently provides on-site, internal support for the system, which the Department is federally-mandated to operate and maintain. In addition to maintenance of the Child Information System, some funding supports contracted NTT Data, Inc. employees whom assist Department caseworkers and staff in the Management and Budget, and Contracts and Compliance divisions in ensuring that direct services provider contracts, case activity notes, payment history, and staff assignments are properly entered into the system.

The Department's constrained request includes a proposal to eliminate this contract for savings of \$1.5 million from all sources, including \$0.6 million from general revenues and \$0.9 million from federal funds. Cancellation of this contract would place the Department in noncompliance with federal regulations and would also cause it to lose nearly \$0.9 million in federal matching funds.

The Governor recommends \$1.8 million, consistent with the enacted budget and the unconstrained request.

Child Welfare Institute Contract. The Department's request eliminates a caseworker training contract with the Child Welfare Institute at Rhode Island College for savings of \$0.8 million, including \$0.2 million from general revenues and \$0.6 million from federal funds. These courses prepared caseworkers for field work before taking on a client caseload. Rhode Island College did not renew its social worker training contract with the Department when it expired in late FY 2016 and officially closed the Child Welfare Institute. The College indicates that this decision was made because program costs continued to grow from year-to-year and the College experienced a net loss for the Child Welfare Institute in FY 2016. Funding for this contract is also reduced in the revised request; the funding in the revised request will support the development of in-house capacity for the Department to perform the staff training previously conducted through the Child Welfare Institute. *The Governor recommends funding as requested.*

Rent. The Department requests \$2.6 million from all sources for lease costs, including \$2.6 million from general revenues and \$40,224 from federal funds. This is \$0.2 million less than enacted, including \$0.2 million from general revenues and \$27,216 less from federal funds. This reduction in part reflects savings of \$0.1 million from a recent renegotiation of the Department's lease for its main office at 101 Friendship Street in downtown Providence. Adjusting for that, the request is largely consistent with FY 2016 spending.

The Department's constrained request includes a proposal to save \$248,000 from general revenues by establishing its offices at 101 Friendship Street as a tax-exempt property. This initiative would shift costs from the Department to the City of Providence by reducing property tax revenues; this would require the agreement of the City of Providence.

The Governor recommends funding consistent with the unconstrained request.

All Other Operations. The Department requests \$6.1 million from all sources for all other operations, including \$4.6 million from general revenues and \$1.5 million from federal funds. This is \$0.4 million less than enacted, including \$0.2 million less from general revenues and \$0.2 million less from federal funds. Spending includes the enacted amount of \$0.6 million from all funds for the Department's contract with the Consultation Center at Yale, including \$0.5 million from general revenues. This contract supports program evaluation services for several of the Department's federal grant initiatives and ensures that the Department is compliant with federal guidelines for these grants. This also includes spending for contracted

legal and clerical services, mileage reimbursements, information technology, building maintenance and grounds keeping, utilities, and office supplies.

Reductions in the request include \$0.2 million less from general revenues for mileage reimbursements for Department staff and other transportation costs associated with the Department's declining caseload, consistent with the revised request. The request also reduces funding for telephone and internet service expenditures by \$47,910 from general revenues. These decreases are partly offset by \$0.2 million more than enacted from federal funds for computer purchases. The Department indicates that this additional funding will be dedicated towards the purchase of computer and mobile technology upgrades to facilitate the work of frontline staff and reduce time spent traveling and performing data entry.

The Department's constrained request includes a proposal to save \$0.5 million from general revenues by eliminating the Department's contract for program evaluation and data analytics with the Consultation Center at Yale.

The Governor recommends \$0.1 million more than the unconstrained request to reflect an updated award estimate for federal special education grants based on a request by the Department subsequent to its budget submission. These funds support educational services and programming for special education students under the Department's care.

Department of Health

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 4,851,117	\$ 4,894,139	\$ 9,097,312	\$ 8,912,255
Community Health and Equity	105,984,171	108,084,901	104,607,074	105,183,926
Environmental Health	11,704,513	12,740,569	12,813,000	13,255,810
Health Lab. & Medical Examiner	12,157,638	12,391,957	12,252,380	12,171,199
Customer Services	10,997,783	11,807,781	12,604,957	11,807,317
Policy, Information & Communications	3,148,479	16,755,206	4,770,932	4,189,481
Preparedness, Response, Infectious Disease & Emergency Services	14,040,951	3,266,362	15,415,228	15,648,088
Total	\$ 162,884,652	\$ 169,940,915	\$ 171,560,883	\$ 171,168,076
Expenditures by Category				
Salaries and Benefits	\$ 56,346,275	\$ 56,471,218	\$ 59,756,664	\$ 58,821,458
Contracted Services	9,059,334	10,206,421	9,334,464	9,629,917
Subtotal	\$ 65,405,609	\$ 66,677,639	\$ 69,091,128	\$ 68,451,375
Other State Operations	51,611,375	57,119,389	56,027,452	55,749,357
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	45,674,276	45,231,017	46,151,935	46,676,976
Capital	193,392	912,870	290,368	290,368
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 162,884,652	\$ 169,940,915	\$ 171,560,883	\$ 171,168,076
Sources of Funds				
General Revenue	\$ 25,931,822	\$ 25,999,235	\$ 27,701,328	\$ 26,325,249
Federal Aid	100,365,021	103,507,285	104,701,708	105,373,312
Restricted Receipts	36,587,809	40,434,395	39,157,847	39,469,515
Other	-	-	-	-
Total	\$ 162,884,652	\$ 169,940,915	\$ 171,560,883	\$ 171,168,076
FTE Authorization	503.6	503.6	512.4	499.6

Summary. The Department of Health requests FY 2018 expenditures of \$171.6 million from all funds, including \$27.7 million from general revenues. The request is \$8.7 million more than enacted, including increases of \$1.8 million from general revenues, \$4.3 million from federal funds and \$2.6 million from restricted receipts. The Department requests staffing authorization of 512.4 full-time equivalent positions, 8.8 positions more than authorized. This includes 9.0 new positions and a program reduction of 0.2 full-time equivalent positions.

The Governor recommends total expenditures of \$171.2 million from all funds, including \$26.3 million from general revenues. This is \$8.3 million more than enacted and is \$0.4 million less than requested.

She recommends staffing of 499.6 positions, 4.0 fewer than authorized. This reflects the transfer of 9.0 positions, including 2.0 positions to the Office of the Health Insurance Commissioner for health care utilization review and 7.0 positions to the Executive Office of Health and Human Services. She adds 6.0 new positions including 3.0 positions for the lead poisoning prevention activities, one health program administration, a nursing care evaluator and a public health promotion specialist. She also recommends the elimination of a position as a result of a consolidated initiative.

Target Issues. The Budget Office provided the Department with a general revenue target of \$24.0 million. The amount includes current service adjustments of \$0.2 million and an 8.0 percent target reduction of \$2.1 million. The Department's request is \$1.6 million more than the current service estimate, reflecting \$1.2 million for the new positions, funding for maintenance of the Vital Record System and several other initiatives.

FY 2018 Budget	Budget Office	Health	Difference
FY 2017 Enacted	\$ 25,931,822	\$ 25,931,822	\$ -
Current Service Adjustments	194,324	194,324	-
New Initiatives	-	1,575,182	1,575,182
Change to FY 2017 Enacted	\$ 194,324	\$ 1,769,506	\$ 1,575,182
FY 2018 Current Service	\$ 26,126,146	\$ 27,701,328	\$ 1,575,182
Target Reduction/Initiatives	(2,090,092)	(3,664,171)	(1,574,079)
FY 2018 Constrained Target/Request	\$ 24,036,054	\$ 24,037,157	\$ 1,103
<i>Change to FY 2017 Enacted</i>	\$ (1,895,768)	\$ (1,894,665)	\$ 1,103

The constrained request is essentially consistent with the target level. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$2.3 million more than the target.*

Central Management

New Position (1.0 FTE). The Department requests \$0.1 million from general revenues to fund a new senior public health promotion specialist position, which will oversee the areas of public health accreditation and performance measurement. The Department notes that this position would ensure more attendance and participation in other interagency efforts led by the Executive Office of Health and Human Services.

The constrained request excludes the funding and staffing authorization for the position. *The Governor concurs with the constrained request.*

Minority Health Program. The Department requests \$0.5 million from general revenues for the minority health program. The request is \$84,006 more than enacted including new expenditures of \$20,000 for the Department to provide operating support for the Commission for Health Advocacy and Equity, which was created in 2011 to provide advice to the director of health and set goals for health equity. The request also includes new expenditures of \$45,000 for contractual costs to monitor compliance pertaining to Hospital Charity Care regulations. Currently, the director is required to annually review each licensed hospital's level of performance in providing charity care and uncompensated care. It should be noted that the Department requested these expenditures as part of its FY 2017 budget; however, neither the Governor nor the Assembly provided funding.

The request includes \$0.2 million to support 1.9 full-time equivalent positions to administer the program. This is \$42,941 less than enacted, reflecting a shift in expenditures provided to organizations to reduce disparities and eliminate childhood obesity by providing health promotion, disease prevention, and referral services in various communities.

The constrained budget removes the requested \$65,000 for the Commission for Health Advocacy and Equity expenditures relating to the Hospital Charity Care regulations. It also reduces expenditures provided to community based organizations by \$6,701. *The Governor concurs with the constrained request and also includes \$1,163 less reflective of statewide benefit savings.*

Policy, Information and Communications

New Positions (4.0 FTE). The Department requests \$0.4 million from general revenues to fund 4.0 new full-time equivalent positions; three positions would be dedicated to the Center for Legislative and Regulatory Affairs. The Department indicates that the positions would be responsible for updating regulations to help improve the regulatory climate and customer service. Currently, the Department has 0.6 of a full-time equivalent position dedicated to developing and implementing regulations; however, it indicates that it has more regulations than any other state agency. The Department indicates that it has a backlog of about 49 regulations that are in need of completion that pertain to food protection, drinking water, lead poisoning and drug overdose. It should be noted that the Department requested two positions to help meet its mandated work as part of its FY 2017 budget; however, neither the Governor nor the Assembly concurred.

The remaining position would be a health program administrator to support the Governor's and the Department's strategic priorities of drug overdose. The request assumes \$0.1 million in turnover savings, which is equivalent to approximately two months.

The constrained request excludes the funding and staffing authorization for the positions.

The Governor recommends \$0.1 million to fund one new position to address the backlog in regulations.

Health Care Utilization Review. The Office of Managed Care Regulation administers a certification process, investigates complaints and conducts on-site surveys and investigations to determine health agencies compliance with state laws, rules and regulation. The Department of Health bills the agencies on a monthly basis for these activities. The receipts are deposited into a restricted receipt account for operations of the program. The request includes \$0.2 million from restricted receipts to support two positions to administer the program.

Concurrently, the Office of the Health Insurance Commissioner reviews denial of benefits and accuracy of claims processing and is also responsible for the adequacy of network coverage in terms of access to and availability of providers and the continuity of care available to consumers.

The Governor proposes legislation to transfer the oversight of health care utilization review from the Department of Health to the Office of the Health Insurance Commissioner. The Budget reflects the transfer of funding and staffing of 2.0 full-time equivalent positions to the Office.

Health Professional Loan Repayment Program. The Department requests expenditures of \$0.5 million 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 from restricted receipts to reflect anticipated receipts from the Rhode Island Health Care Association, which the Department will use to provide the 50.0 percent minimum match on the federal grant. *The Governor recommends funding as requested.*

Zika Monitoring Grant. The request includes \$0.2 million, reflective of a new federal grant for Zika related monitoring activities. This includes \$0.1 million to fund a human services policy and systems specialist position and \$0.1 million for program expenses, including contractual costs with the Rhode Island

Parent Information Network to provide assistance and coordination in tracking birth defects. *The Governor recommends funding as requested.*

Opioid Surveillance. The request includes \$256,000 from a new federal grant for the Opioid Surveillance Program, which will track fatal and nonfatal opioid-involved overdoses. This includes \$164,300 for educational training activities and \$91,700 for program expenses, including postage. *The Governor recommends funding as requested.*

Community Health and Equity

Women, Infants and Children Nutrition Assistance Program. The Department requests \$25.2 million from federal funds for the Women, Infants, and Children nutrition assistance program, which provides supplemental foods, nutrition education and information, referral and coordination services for eligible women and children under the age of five who are at risk of poor health and development because of inadequate nutrition or health care or both. This includes \$17.8 million for direct benefit payments, \$4.3 million for various vendors in the field who issue the benefit vouchers to recipients, and \$1.9 million for information technology, claims processing and various program operating costs. It also includes \$1.4 million for staffing, or \$0.1 million less than enacted, reflecting 0.8 less full-time equivalent positions. The enacted budget included staffing of 13.0 full-time equivalent positions.

The request is \$0.8 million less than enacted; however, it is \$0.8 million or 3.3 percent more than FY 2017 anticipated expenditures. The 2016 Assembly adopted legislation as part of the enacted budget to transfer the program from the Department of Human Services to the Department of Health. *The Governor recommends funding as requested.*

Immunizations. The Department requests \$46.0 million from all sources for immunization expenses, including \$15.8 million from federal funds and \$30.2 million from restricted receipts. This is \$4.0 million more than enacted, including \$1.9 million more from federal funds based on the anticipated amount of free vaccines provided by the Centers for Disease Control and Prevention's federal immunization program and \$2.1 million more from restricted receipt expenditures for child and adult immunizations based on vaccine purchasing projections.

The request includes \$3.1 million for staffing of 26.7 full-time equivalent positions, \$0.4 million and 2.7 positions more than enacted. All other operating costs are \$0.4 million less than enacted, to primarily reflect the removal of costs associated with immunization assessment rates and other services.

The 2014 Assembly adopted legislation replacing the assessments that support the infant and adult immunization programs, effective on January 1, 2016 and established a new funding methodology. Pursuant to Rhode Island General Law 42-7.4-3, the Healthcare Services Funding Contribution will be based on a per-person enrollment for those in fully-insured or self-insured plans with the exception of municipal employees. State employees and employees of non-profit hospital corporations will be included beginning July 1, 2016. *The Governor recommends funding as requested.*

Obesity and Other Diseases Prevention Grant. In 2015, the Department of Health received a federal grant to prevent obesity, diabetes, and heart disease and stroke among adults, with particular focus on priority populations to reduce health disparities. The request includes \$3.9 million in expenditures, which is \$0.4 million more than enacted. It includes \$1.9 million to be awarded to various community-based organizations and \$1.3 million for salary and benefit costs to support 10.4 full-time equivalent positions and \$36,750 for two interns. Salary and benefit costs are \$0.3 million, reflecting funding for 2.4 more positions dedicated to the program. The remaining funds will be used for program expenses, including a marketing campaign, a worksite wellness initiative and program costs, such as printing and travel. *The Governor recommends funding as requested.*

Wise Woman Program. The Department requests \$0.9 million, \$0.4 million less than enacted from federal funds to primarily reflect costs for screening, and medical evaluation follow-up services for the Wise Woman Program. The request 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 30 through 64 who are at risk for heart disease, diabetes and stroke. The request includes \$0.4 million to fund the enacted 3.5 full-time equivalent positions. *The Governor recommends funding as requested.*

Race to the Top. The request removes the enacted amount of \$0.6 million from federal funds, reflecting the end of federal Race to the Top funds. 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 involved multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years that would end on December 31, 2015; however, the Department had received a one-year extension. *The Governor recommends funding as requested.*

Prescription Drug Overdose Prevention. The Department requests expenditures of \$2.0 million from all sources for prescription drug overdose prevention related activities. This is \$0.7 million more than enacted, including \$0.9 million more from federal funds, reflective of additional funds the Department received. Of this, \$0.2 million will be used to enhance the Prescription Drug Monitoring Program system, including increasing the percentage of electronic health records and pharmacy operating systems in the state that are connected to the Prescription Drug Monitoring Program database. Federal funds also include \$0.2 million to fund two public health positions, \$0.3 million to support community recovery centers to provide peer-to-peer recovery coach services and \$0.1 million for contracted services.

The Prescription Drug Monitoring System provides information regarding prescription of controlled substances in order to prevent improper or illegal use of controlled substances, pursuant to Rhode Island General Law, Section 21-28.3-1. Federal funds from the Department of Justice were used for the development and enhancement of the system. The Department indicates that once the system was implemented, the maintenance cost became a state expense. The enacted budget included \$0.3 million in funding from licensing and regulatory restricted receipts for maintenance costs associated with the system.

The request assumes \$0.1 million less in expenditures; however, it shifts \$0.1 million of the expense to general revenues.

The constrained request removes the requested general revenue funding for the maintenance costs.

The Governor recommends total expenditures of \$2.0 million, consistent with the unconstrained request.

Tobacco Control. The Department requests \$1.5 million, including \$0.4 million from general revenues and \$1.1 million from federal funds for tobacco control programs, including cessation and the telephone quit line. The request is \$10,789 more than enacted, including \$13,696 from general revenues. The request includes \$0.8 million for salary and benefit expenses for 6.4 full-time equivalent positions; \$0.4 million for services such as cessation, counseling and support, and education and information resources, and \$0.4 million for operations including anti-smoking advertising, postage and printing expenses. *The Governor concurs and recommends an additional \$0.5 million from general revenues to support tobacco prevention and smoking cessation.*

Other Salaries and Benefits. The Department requests \$12.2 million from all sources of funds, including \$0.9 million from general revenues to fund the remaining 113.3 full-time equivalent positions within Central Management; Policy, Information and Communications; and Community Health and Equity. The request is \$0.3 million less than enacted, including \$0.1 million less from general revenues offset by \$0.1

million less from federal and restricted sources. It also includes funding for step increases and benefit rates consistent with FY 2018 planning values.

The constrained request assumes additional turnover savings of \$67,145 from general revenues.

The Governor recommends \$11.9 million from all sources, including \$0.8 million from general revenues. This is \$43,055 less than requested, reflective of additional turnover assumed in the constrained request and statewide benefit savings. The recommendation also shifts 7.0 positions to the Executive Office of Health and Human Services for the consolidation of functions, including finance administration, billing and rate setting, and data entry; however, funding is retained in the Department.

Infant and Early Childhood Development. The Department requests \$13.8 million from all sources, including \$12.3 million from federal funds for infant and early childhood related expenditures. This is \$0.1 million more than enacted, to primarily reflect expenditures for the Maternal, Infant, and Early Childhood Home Visiting Development program, which promotes good health habits, primarily for low income pregnant women, infants, and children, children with special health care needs and families. The program also provides health services for maternal and child health populations who do not have access to adequate health care. *The Governor recommends funding as requested.*

Cancer Screening Programs. Excluding salaries and benefits, the request includes \$2.0 million from all sources, \$0.1 million more than enacted for various cancer screening related programs. The request includes the enacted amount of \$148,348 from general revenues to support the Cancer Council. Of the increase, \$32,621 is paid to various community-based organizations for screening services and the remaining \$49,631 is for program expenses to expand and enhance data collection policies and procedures. Funds are also provided to the Rhode Island Hospital Association, which maintains the state's cancer registry, a statewide surveillance database related to cancer patient population. *The Governor recommends funding as requested.*

Other Expenses. The Department requests \$8.3 million from all sources of funds, of which \$7.1 million is from federal funds that the Department utilizes to support health prevention programs that are community based. These includes funding for several chronic disease prevention and control grants as well as suicide and rape prevention and wellness programs. The request is \$135,224 more than enacted, including increases of \$29,064 from general revenues and \$0.1 million from restricted receipts and \$42,804 less from federal funds.

The constrained request includes an additional \$71,790 in federal fund expenditures, including \$46,790 for contracted physician services, and \$25,000 from restricted sources for stenographic services. *The Governor concurs with the constrained request.*

Environmental Health

Food Protection Program. The request includes \$5.1 million to fund the Food Protection Program. This is \$0.7 million more than enacted, including increases of \$0.2 million from general revenues and \$0.5 million from federal funds. The request includes \$4.6 million to fund 45.0 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 salary and benefit costs are \$0.7 million more than enacted, which restores \$0.2 million of turnover savings and adds \$0.5 million, primarily from federal funds for five positions, which the Department indicates it will fill from its current staffing authorization.

The request includes \$0.5 million for all operating expenses, including \$0.1 million for travel expenses such as mileage reimbursement and \$0.3 million for indirect cost charges, 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 expenditures are \$1,004 less than enacted and are \$21,835 less than FY 2016 reported costs.

The Governor recommends \$22,994 less than requested, including \$17,992 less from general revenues reflective of statewide benefit savings.

Drinking Water Quality Program. The Department requests \$4.1 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 \$0.5 million more than enacted, including \$12,231 more from general revenues and \$0.5 million more from the federal Safe Drinking Water Act Revolving Loan Fund, which was established to provide a mechanism to issue low interest loans to public water systems to improve their infrastructure.

The request includes \$2.9 million or \$0.3 million more than enacted for 27.5 full-time equivalent positions, reflective of salary and benefit costs allocated to the program. All other operating costs are \$0.2 million more than enacted to primarily reflect expenditures for engineering services for a clean water infrastructure plan.

The constrained request includes savings of \$0.1 million by delaying the filling of a supervising sanitary engineer position, who is primarily responsible for licensing public pools and spas and bottled water facilities. The Department notes that a delay in filling this position will increase its current backlog and further notes that these two programs are one of its leading priorities. *The Governor concurs with the constrained request and includes an additional \$1,565 from statewide benefit savings.*

Blood Lead Poisoning Prevention. The Department requests \$0.9 million or \$96,735 more than enacted, including \$42,323 from general revenues to match federal funds to conduct lead inspections. The Centers for Medicare and Medicaid Services decreased the guidelines for safe blood levels for children under six, which will result in an increase in the number of inspections. 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 request includes the enacted amount of \$150,000 from general revenues to support certified lead centers, which provide case management to lead poisoned children, \$25,000 for the Lead Elimination Surveillance system, which tracks blood lead levels, screening and case management, and \$12,000 to the Providence Plan for data analysis.

The Governor concurs, with the exception of providing \$44 less from general revenues to reflect statewide benefit savings. She also proposes legislation to centralize lead poisoning prevention activities under the Department of Health. The legislation allows the Department to oversee interagency coordination activities and be responsible for adopting rules and regulations to certify lead safe compliance for all residential units and permitting lead inspectors. It requires the Department to maintain a registry of lead safe certificates. She also proposes to amend the Real Estate Conveyance Tax to allow the Department of Health to obtain 5 cents of the 30 cents that the Housing Resources Commission currently receives. The funds would be deposited into a restricted receipt account for program expenses. The recommendation includes \$0.6 million from those restricted receipts to fund 3.0 new positions, including two lead inspectors and one data manager position as well operating costs.

Other Staffing and Operations. The Department requests \$2.8 million from all sources for all other expenditures for the Environmental Health Program. This is \$0.2 million less than enacted, including \$196,782 less from general revenues, of which \$185,684 is reflective of staffing allocation and additional turnover savings from a vacant associate director's position.

Operating costs are \$11,098 less than enacted, reflective of anticipated overhead costs for state fleet and telephone. The request includes the enacted amount of \$200,000 for the Poison Control Center.

The constrained request reduces these expenditures by \$3,000, including \$2,500 for postage and \$500 for office supplies. *The Governor concurs with the constrained request and includes \$3,816 less from general revenues to reflect statewide benefit savings.*

Health Laboratory and Medical Examiner

New Scene Investigator Position. Consistent with the revised request, the FY 2018 request includes \$0.1 million from general revenues to fund a new scene investigator position for the Office of State Medical Examiners. The Department indicates that this position is being requested per recommendation from the National Association of Medical Examiners, pursuant to an accreditation performed in April 2015. The Department further notes that this position will improve follow up time for case preparation and case closure. The Governor recommended funding for this position as part of the FY 2017 budget; however, the Assembly did not concur and removed the funding. It appears that the position has been filled. *The Governor recommends funding as requested.*

Other Medical Examiner - Staffing and Operations. The Department's request includes \$3.0 million from all sources for all other expenses for the Office of the State Medical Examiner. This is \$21,036 less than enacted including \$18,242 less from general revenues and \$2,794 less from federal funds. Salary and benefit costs are \$2.9 million, \$11,056 less than enacted, reflective of turnover savings and staffing allocation. Operation costs are \$9,980 less than enacted, and includes slight increases for contracted medical examiners and medical supplies, offset by reductions for waste disposal and printing costs. *The Governor concurs, with the exception of providing \$12,063 less from general revenues reflecting statewide benefit savings.*

Health Laboratory - Staffing and Operations. The Department requests total expenditures of \$9.2 million from all sources for the operations of the Health Laboratories Program. This is \$10,186 more than enacted, including an increase of \$101,988 from general revenues and \$91,802 less from federal funds. The Health Laboratories provide technical services to state and municipal agencies, health care providers and individuals. Its objective is to provide timely, accurate, and effective laboratory services for public health, environmental and forensic sciences.

Salary and benefit costs are \$11,959 more and 0.5 positions fewer than enacted. It includes funding for a toxicologist and pay increases resulting from desk audits. These costs are offset from retirements and filling positions at a lower base pay. The request includes \$2.7 million for all operating expenditures, \$1,773 less than enacted; however, it is \$27,197 more than FY 2016 reported expenses to primarily reflect expenditures for test kits, including HIV and DNA. It appears that the federal funds that the Department had previously used to purchase these kits have ended. The Department indicates that prior to receiving federal support, these expenditures were funded with general revenues.

The Division of Health Laboratories performs approximately 250,000 analyses annually. It also conducts surveillance testing for early detection of contagious diseases such as tuberculosis, rabies, HIV and other sexually transmitted diseases, West Nile Virus, Lyme disease, pertussis, rubella, measles and other emerging infectious diseases as well as pathogens related to bioterrorism activities and surveillance, testing

of children for lead poisoning in support of the state's Childhood Lead Poisoning Prevention Program. It conducts analysis of food products, drinking and waste water.

The Department's constrained budget proposes to eliminate the Forensic Drug Chemistry and the Forensic Biology programs for a savings of \$1.5 million. The proposal assumes savings of \$1.2 million from the elimination of 13.0 full-time equivalent positions. The remaining \$0.3 million is from operating costs, including medical supplies and maintenance costs of associated lab equipment.

These programs provide testing for the identification of confiscated drugs as well as conduct DNA analysis of evidence to assist law enforcement agencies in solving drug-related and other crimes. The Department notes that if these laboratory services are eliminated, the state would no longer qualify to participate in the Combined DNA Index System, which enables federal, state, and local forensic laboratories to exchange and compare DNA profiles electronically. The Department receives approximately \$0.3 million annually in federal funds from the National Institute of Justice for operations of the system. The Department also notes that some of the services can be performed by a private vendor; however, the costs may be more and there is no other laboratory in the state to perform drug testing.

The Governor recommends \$69,118 less from all funds than the unconstrained request, including \$26,288 from statewide benefit savings and \$42,830 for operating costs, primarily medical supplies.

Customer Services

New Positions (3.0 FTE). The request includes \$0.3 million from general revenues to fund 3.0 new full-time equivalent positions in the Customer Services Division. This includes \$0.1 million for a hospital inspector to conduct routine investigative surveys and review facility compliance with state and federal regulations and \$0.1 million for a public health promotion specialist to investigate complaints. The Department indicates that it has seen an increase in the number of complaints over the last two years; additional staff is needed in order for the complaints to be investigated before they are brought before their respective boards or commissions. The Department also proposes to convert a current temporary position to a full-time employee, who would be responsible for processing complaints and assisting in case management. The Department notes that every time a temporary employee leaves, it is spending a significant amount of time on training, which is creating inefficiencies. The request is net of savings of \$34,500 for temporary services.

The constrained request removes the funding as well as the staffing authorization for the positions.

The Governor recommends \$0.2 million from general revenues to fund two positions, the hospital inspector and the public health promotion specialist.

Medical Marijuana. The Department requests \$0.6 million or \$0.1 million more than enacted from restricted receipts for costs associated with the Medical Marijuana program. This includes \$2,172 less for salaries and benefits, reflective of staffing allocation. The request adds \$100,945 for operating expenditures to primarily reflect software maintenance associated with the medical marijuana regulation system and \$26,350 for program expenditures including printing and postage costs.

The Governor recommends \$100,945 less than requested, which excludes the software maintenance costs; the expense is included in the Department of Business Regulation. The Department of Health indicates that there are plans to have a shared database. She also proposes legislation in Article 7 of 2017-H 5175 to annually transfer to state general revenues any remaining balances from medical marijuana receipts collected by the Department of Business Regulation and the Department of Health. The Budget assumes transfers of \$0.3 million and \$0.7 million in FY 2017 and FY 2018, respectively, though these revenues may be overstated.

Electronic Death Registration and Surveillance Systems Maintenance. The request includes \$426,250 from general revenues for maintenance costs of the electronic death registration and surveillance systems. The request assumes that the Department of Administration would fund the systems as part of the Information Technology Investment Fund; however, funding for this was not included in the capital budget request. The request also assumes that the project would be approved and completed, and needing maintenance costs within a year.

The Department currently records more than 15,000 deaths, fetal deaths and induced terminations of pregnancies, which are all classified as death vital records, per year. These records are manually entered into a paper-based system that is approximately 25 years old. Death records are entered two to three months after the fact. It should be noted that currently there are no state or federal requirements to upgrade these systems, but the current systems are obsolete and do not communicate with other data systems in the 39 municipalities or any other states.

The constrained budget excludes funding for this request. Provided that funding for the capital budget is approved, it will take a minimum of two years to upgrade the systems based on the number of years it took to upgrade the birth registration system. It does not appear that maintenance costs for the systems would be needed in FY 2018.

The Governor does not recommend funding for the maintenance cost; she does include \$2.5 million through the issuance of Certificates of Participation to fund the project. Authorization for this is contained in Article 16 of 2017-H 5175.

Vital Records - Staffing and Operations. The Department requests \$1.8 million from general revenues and federal funds for the Vital Records program, which is responsible for a statewide vital records system involving the births, marriages, deaths and fetal deaths that occur in the state. The request is \$0.3 million more than enacted, including increases of \$0.2 million from general revenues and \$0.1 million from federal funds. The request includes \$1.5 million for staffing of 16.5 full-time equivalent positions, which is consistent with the authorized level. This is \$0.2 million more than enacted, reflecting the restoration of \$0.1 million of turnover savings for a chief program development position and adding \$20,736 for an intern. The request includes benefit rates, consistent with FY 2018 planning values.

Operating expenditures are \$54,511 more than enacted and are consistent with the revised request. It includes \$30,733 more for the maintenance of the Vital Records system, reflective of the current contract amount. It also includes \$10,587 more for printing costs. It should be noted that this expense was reduced as part of a statewide initiative. The FY 2016 final budget included \$5,000 for printing expenses and reported expenditures were \$1,849.

The Governor concurs, with the exception of providing \$6,814 less from general revenues to reflect statewide benefit savings.

Target - Consolidate Centers for Professional Boards and Professional Licensing. Currently two chief positions oversee the Center for Professional Boards and Commission and the Center for Professional Licensing programs. The Department's constrained request includes \$0.1 million in general revenue savings from a proposal that would eliminate one of the chief positions and have one chief oversee both programs. The Department notes that the programs have implemented lean measures that have streamlined processes and created efficiencies. The position that the Department is proposing to eliminate is currently vacant; however, the constrained request maintains the staffing authorization.

The Governor recommends the elimination of the position and removes the staffing authorization as well.

Other Salaries and Benefits. The Department requests \$7.8 million from all sources of funds to support the remaining 68.9 full-time equivalent positions, 4.5 positions more than the authorized level, reflecting a shift in staffing from elsewhere in the Department. The request is \$0.4 million more than enacted, including \$0.1 million less from general revenues to primarily reflect the transfer of funding to the Executive Office of Health and Human Services for 1.5 full-time equivalent positions working on the Nurse Aide Registry. The request includes benefit rates consistent with FY 2018 planning values.

The Governor concurs, with the exception of providing \$31,044 less from general revenues to reflect statewide benefit savings.

Contracted Dental Board Administrator. Consistent with the revised request, the request includes new expenditures of \$62,000 from general revenues for contracted services to perform the duties of a dental administrator. Pursuant to Rhode Island General Law 5-31.1-5, the director is required to appoint this position, who is responsible for administering and supervising the investigatory and other activities of the Board of Examiners in Dentistry. Other duties of the dental administrator include coordinating licensing to ensure timely renewals, and leading the process for updating regulations pertaining to dentists and dental hygienists. It appears that the legislation pertaining to the dental board administrator was enacted in 1987; however, the position has never been funded. The Department indicates that the cost to fill this position is \$0.1 million. For FY 2015, there was no contract in place and for FY 2014, the Department indicated contractual costs were \$3,700 for this purpose. *The Governor recommends funding as requested.*

Other Expenses. The Department requests \$1.4 million from all sources of funds for all other expenses in the Customer Services Division. This is \$0.2 million more than enacted, including decreases of \$53,516 from general revenues and \$0.1 million from restricted receipts, offset by \$0.4 million more from federal funds, reflective of several anticipated grant awards.

The constrained request further reduces general revenue expenditures by \$18,236. This includes \$18,000 less for computer supplies and \$236 less for clerical services. *The Governor concurs with the constrained request.*

Preparedness, Response, Infectious Disease and Emergency Services

Community Public Health Nurse (1.0 FTE). The request includes \$0.1 million from general revenues to fund a new community public health nurse position to conduct activities related to the prevention and control of communicable disease in the areas of HIV/AIDS, STDs, viral hepatitis and tuberculosis. The Department indicated that in 2014, the state experienced its highest rates in ten years of reported cases of syphilis, gonorrhea, and chlamydia and in 2015, it experienced an upward trend of reported tuberculosis cases.

The constrained request removes the funding as well as the staffing authorization for the position. *The Governor does not recommend funding the position, consistent with the constrained request.*

Infectious Diseases Grant Adjustment. The Department request \$3.6 million or \$1.9 million more from federal funds reflective of additional funding for Zika related educational training, surveillance and monitoring activities. The request includes an additional \$0.6 million for salaries and benefits to primarily fund 5.6 full-time equivalent positions. It includes \$0.8 million for training, to promote prompt response; \$0.2 million for indirect cost surcharges and \$0.3 million for medical supplies, travel and other program expenses. The request is \$0.2 million more than the FY 2017 revised request. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Department requests \$6.6 million from all sources, including \$1.3 million from general revenues to support the remaining positions in the Preparedness, Response, Infectious

Disease and Emergency Services program. The request includes benefit rates consistent with FY 2018 planning values. The Department includes staffing at 45.7 full-time equivalent positions, 0.7 positions more than the authorized level. The request is \$0.2 million more than enacted including a slight reduction from general revenues, offset by an increase from federal bioterrorism funds.

The constrained request shifts general revenue expenditures of \$0.2 million for 1.2 full-time equivalent positions to federal funds. The Department indicates that it has submitted a proposal to the Centers for Medicare and Medicaid Services as part of the Health Systems Transformation allowing the Department to claim this match; however, the proposal is currently under review. *The Governor concurs with the constrained request and includes statewide benefit savings of \$4,889.*

Other Federal Grant Adjustments. The Department requests \$4.5 million from federal funds for various grants in the Preparedness, Response, Infectious Disease and Emergency Services program. A majority of the funds are used 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 is \$0.8 million less than enacted to primarily reflect the removal of funds for Ebola related activities. *The Governor concurs and includes an additional \$0.4 million for HIV prevention activities. The funds, through the Executive Office of Health and Human Services became available subsequent to the submission of the request.*

All Other Expenses. The Department requests \$0.2 million from general revenues for all other operating expenses. This is \$20,401 less than enacted to primarily reflect the removal of one-time funding to purchase a vehicle used by staff from the Tuberculosis program to conduct home visits. *The Governor recommends funding as requested.*

Department of Human Services

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 9,528,059	\$ 8,357,441	\$ 7,893,239	\$ 7,892,005
Child Support Enforcement	9,521,790	9,919,520	11,551,845	11,250,113
Individual and Family Support	109,372,215	134,898,420	125,731,086	124,290,588
Veterans' Affairs	40,649,727	40,569,999	81,842,306	82,054,204
Health Care Eligibility	19,177,655	16,662,263	14,072,445	14,046,789
Supplemental Security Income	18,496,913	18,500,260	18,496,913	18,454,040
Rhode Island Works	92,950,945	88,706,588	93,362,531	92,235,546
Other Programs	283,667,800	283,672,031	283,643,231	283,708,519
Elderly Affairs	18,722,019	19,329,431	19,537,796	19,790,009
Total	\$ 602,087,123	\$ 620,615,953	\$ 656,131,392	\$ 653,721,813
Expenditures by Category				
Salaries and Benefits	\$ 92,682,701	\$ 92,647,035	\$ 88,268,793	\$ 88,082,927
Contracted Services	15,010,927	19,150,914	18,435,898	16,212,385
Subtotal	\$ 107,693,628	\$ 111,797,949	\$ 106,704,691	\$ 104,295,312
Other State Operations	15,785,385	16,265,021	15,929,831	15,973,207
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	462,051,697	476,132,672	476,655,324	476,571,748
Capital	10,625,667	10,414,623	50,835,858	50,875,858
Capital Debt Service	-	-	-	-
Operating Transfers	5,930,746	6,005,688	6,005,688	6,005,688
Total	\$ 602,087,123	\$ 620,615,953	\$ 656,131,392	\$ 653,721,813
Sources of Funds				
General Revenue	\$ 97,636,314	\$ 93,147,617	\$ 96,999,037	\$ 95,725,491
Federal Aid	497,644,896	519,019,535	551,568,641	550,132,608
Restricted Receipts	1,712,435	3,444,789	2,970,236	3,270,236
Other	5,093,478	5,004,012	4,593,478	4,593,478
Total	\$ 602,087,123	\$ 620,615,953	\$ 656,131,392	\$ 653,721,813
FTE Authorization	937.1	937.1	877.1	838.1

Summary. The Department of Human Services requests \$656.1 million from all fund sources, including \$97.0 million from general revenues, \$551.6 million from federal funds, \$3.0 million from restricted receipts and \$4.6 million from other funds. This is \$54.0 million more than enacted, including increases of \$53.9 million from federal funds, \$1.3 million from restricted receipts with decreases of \$0.6 million from general revenues and \$0.5 million from other funds. The Department also requests 877.1 full-time equivalent positions, 60.0 less than enacted and 101.0 less than the revised request.

The Governor recommends expenditures of \$653.7 million, including \$95.7 million from general revenues. This is \$2.7 million less than requested, including \$1.4 million less from general revenues. She lowers the authorized level of full-time equivalent positions by 99.0; she concurs with the reduction of 60.0 full-time

positions and transfers 39.0 to the Executive Office of Health and Human Services for the consolidation of finance staff.

Target. The Budget Office provided the Department with a general revenue target of \$89.6 million. The amount includes a current service adjustments reduction of \$0.6 million and a 8.0 percent target reduction of \$7.4 million, adjusted for certain exclusions. The Department's request is \$633 above the current services estimate; the constrained budget submitted by the Department is \$0.6 million below the target.

FY 2018 Budget	Budget Office	Human Services	Difference
FY 2017 Enacted	\$ 97,636,314	\$ 97,636,314	\$ -
Current Service Adjustments	(637,910)	(637,277)	633
Change to FY 2017 Enacted	\$ (637,910)	\$ (637,277)	\$ 633
FY 2018 Current Services	\$ 96,998,404	\$ 96,999,037	\$ 633
Target Reduction/Initiatives	(7,402,236)	(7,978,343)	(576,107)
FY 2018 Recommendation/Request	\$ 89,596,168	\$ 89,020,694	\$ (575,474)
Change to FY 2017 Enacted	\$ (8,040,146)	\$ (8,615,620)	(575,474)

The Department proposes savings initiatives of \$8.0 million from general revenues. The items are discussed separately, where appropriate. *The Governor's recommendation is \$6.1 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 Executive Office of Health and Human Services. The 2017 guidelines are as follows.

Percent of Federal Poverty Level Based on Annual Income								
Family Size	100%	133%	150%	180%	185%	200%	225%	250%
1	\$ 12,060	\$ 16,040	\$ 18,090	\$ 21,708	\$ 22,311	\$ 24,120	\$ 27,135	\$ 30,150
2	16,240	21,599	24,360	29,232	30,044	32,480	36,540	40,600
3	20,420	27,159	30,630	36,756	37,777	40,840	45,945	51,050
4	24,600	32,718	36,900	44,280	45,510	49,200	55,350	61,500
5	28,780	38,277	43,170	51,804	53,243	57,560	64,755	71,950
6	32,960	43,837	49,440	59,328	60,976	65,920	74,160	82,400
7	37,140	49,396	55,710	66,852	68,709	74,280	83,565	92,850
8	41,320	54,956	61,980	74,376	76,442	82,640	92,970	103,300

For families with more than 8 members, add \$4,180 for each additional member for the 100 percent calculation.

Staffing. The Department requests 877.1 full-time equivalent positions in FY 2018, which is 60.0 positions below the enacted authorization and 101.0 fewer positions than the revised request. It should be noted that when analyzing the program separately and adding those staffing totals the request is 877.0 positions.

The request removes 60.0 positions compared to the enacted budget and 101.0 compared to the revised request, but the Department has not provided the information about the specific staffing changes.

The enacted budget includes authorization for 937.1 positions and provides funding for approximately 865 positions, leaving approximately 94 positions unfunded. As of December 24, 2016, the Department had 807.6 filled positions, and has been averaging 869.4 filled positions in FY 2016. The Department averaged 840.0 filled positions in FY 2014 and 856.5 positions in FY 2015 although the number of filled positions has been slowly increasing from a low of 781.2 in November 2011.

The Governor transfers 39.0 full-time equivalent positions to the Executive Office of Health and Human Services' budget as part of the consolidation of finance positions but does not shift the funding to that

budget. She also reduces the current authorized level by 60.0 full-time equivalent positions for the implementation of the Unified Health Infrastructure Project; these positions are not funded.

Unified Health Infrastructure Project. The Unified Health Infrastructure Project was scheduled to be implemented on July 12, 2016; however, the start date was delayed two months until September 13, 2016 so the state could comply with federal testing requirements for the new system. In May 2016, the Department received a memo from United States Department of Agriculture's Food and Nutrition Service indicating its decision not to allow implementation as planned and required a full three-month pilot in a live environment followed by a phased statewide implementation. The Department offered an alternative pilot proposal, which was accepted. On September 2, 2016, the state received notification from the Food and Nutrition Services that it was unable to agree with the state's decision to proceed with the September 13th start date.

As of January 1, 2017, the Unified Health Infrastructure Project continues to function with multiple operational problems and the state has received notification from the Food and Nutrition Service of its concern with system function. The state has submitted a Corrective Action Plan addressing issues identified by the federal authority and is still in communication to finalize an accepted corrective action plan.

Project expenses appear in the Executive Office of Health and Human Services' budget and the Departments of Human Services and Administration which totaled \$59.8 million in the FY 2017 enacted budget, including \$11.0 million from general revenues, \$46.6 million from federal funds and \$2.2 million from restricted receipts. FY 2016 actual expenses were \$107.4 million from all sources, \$15.0 million from general revenues, \$91.7 million from federal funds and \$0.7 million from restricted receipts. The Assembly included \$4.9 million from the Information Technology Investment Fund in the Executive Office and Department of Human Services' budgets; however, no expenses were made in FY 2016 by either agency.

The Department of Human Services requests \$7.8 million from all sources, including \$2.0 million from general revenues for its portion of the Unified Health Infrastructure Project cost. The Department's FY 2018 request is \$2.4 million more than enacted from all sources including \$1.0 million more from general revenues, \$0.1 million more from federal funds and \$1.2 million from the Information Technology Investment Fund through the Department of Administration's budget. Funding supports six positions. The request increases technology expenses provided through a contract with the main vendor, Deloitte, by \$2.1 million, including \$1.2 million from general revenues and \$0.9 million from federal funds.

The Governor recommends \$2.8 million less than requested, including \$1.1 million less from general revenues for total spending of \$8.3 million, of which \$1.3 million is from general revenues. The request includes \$0.1 million more for payment to Deloitte and inadvertently reduces federal funds by \$0.3 million for technology support. This also includes \$833 less from general revenues to reflect statewide savings from employee benefits.

As staffing changes and issues with the vendor continue to evolve, it is likely the expenditures do not accurately capture expenses.

Unified Health Infrastructure Project				
FY 2016 Spent	General Revenues	Federal Funds	Information Investment Technology Fund	Total
EOHHS	\$ 13,015,924	\$ 79,690,883	\$ -	\$ 92,706,807
DHS	2,024,394	4,563,743	-	6,588,137
Total	\$ 15,040,318	\$ 84,254,626	\$ -	\$ 99,294,944
FY 2017 Governor Revised				
EOHHS	\$ 10,034,012	\$ 66,320,886	\$ -	\$ 76,354,898
DHS	\$ 1,275,870	7,053,288	2,785,117	\$ 11,114,275
Total	\$ 11,309,882	\$ 73,374,174	\$ 2,785,117	\$ 87,469,173
FY 2018 Request				
EOHHS	\$ 7,591,961	\$ 45,734,910	\$ -	\$ 53,326,871
DHS	2,024,394	4,563,743	1,200,000	7,788,137
Total	\$ 9,616,355	\$ 50,298,653	\$ 1,200,000	\$ 61,115,008
FY 2018 to Enacted				
EOHHS	\$ (2,398,534)	\$ 3,738,632	\$ -	\$ 1,340,098
DHS	1,039,473	123,489	1,200,000	2,362,962
Total	\$ (1,359,061)	\$ 3,862,121	\$ 1,200,000	\$ 3,703,060
FY 2018 Governor's recommended				
EOHHS	\$ 3,741,061	\$ 12,131,128	\$ -	\$ 15,872,189
DHS	907,969	2,849,659	1,224,027	4,981,655
Total	\$ 4,649,030	\$ 14,980,787	\$ 1,224,027	\$ 20,853,844
FY 2018 Governor to FY 2017 Enacted				
EOHHS	\$ (6,249,434)	\$ (29,865,150)	\$ -	\$ (36,114,584)
DHS	(76,952)	(1,714,084)	24,027	(2,806,482)
Total	\$ (6,326,386)	\$ (31,579,234)	\$ 24,027	\$ (38,921,066)

Cash Assistance Programs

The Caseload Estimating Conference estimate includes \$110.8 million from all sources, including \$33.4 million from general revenues for cash assistance programs, including Rhode Island Works, child care, state only supplemental security income program payments and general public assistance bridge program benefits. The caseload estimate is \$2.0 million less than enacted, including \$1.2 million less from general revenues. The Department's request does not reflect the estimate adopted at the November Caseload Estimating Conference since the request was submitted prior to the conference.

The following table itemizes cash assistance expenditures as enacted, adopted by the caseload estimators, and recommended by the Governor, along with comparable data for FY 2016. Each category is discussed separately.

The Governor recommends \$111.7 million, including \$34.3 million from general revenues which is \$0.9 million more than the conference estimate. She adds \$1.0 million for subsidized child care and includes an initiative lowering supplemental security income expenses by \$0.1 million from placing limits on paying for moving expenses.

Cash Assistance	FY 2016 Reported	FY 2017 Enacted	FY 2017 Nov. CEC	FY 2017 Gov. Rev.	FY 2018 Nov. CEC	FY 2018 Gov. Rec.
Rhode Island Works						
Persons	11,031	9,920	11,524	10,044	9,600	9,600
Monthly Cost per Person	178.14	\$ 178.30	\$ 180.40	\$ 178.05	\$ 178.05	\$ 178.05
Total Costs/Federal Funds*	25.4	\$ 23.1	\$ 23.3	\$ 23.3	\$ 22.3	\$ 22.3
Child Care						
Subsidies	8,537	9,603	8,832	9,023	9,386	9,386
Annual Cost per Subsidy	7,136	\$ 7,274	\$ 7,100	\$ 7,200	\$ 7,300	\$ 7,407
General Revenue	11.37	\$ 14.7	\$ 9.9	\$ 9.9	\$ 13.4	\$ 14.4
Federal Funds	49.55	55.1	55.1	55.1	55.1	55.1
Total Costs*	60.9	\$ 69.9	\$ 65.0	\$ 65.0	\$ 68.5	\$ 69.5
SSI						
Persons	33,660	33,730	33,900	33,677	33,777	33,777
Monthly Cost per Person	45.63	\$ 45.57	\$ 45.00	\$ 45.65	\$ 45.65	\$ 45.52
Total Costs/General Revenues*	18.5	\$ 18.5	\$ 18.5	\$ 18.5	\$ 18.6	\$ 18.5
SSI Transition/Bridge						
Persons	394	400	395	400	400	400
Monthly Cost per Person	141.58	\$ 136.00	\$ 135.00	\$ 142.00	\$ 142.31	\$ 142.31
Total Costs/General Revenues* \$	1.5	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.5
General Revenue	31.3	34.6	29.7	29.8	33.4	34.3
Federal Funds	74.9	78.2	78.4	78.4	77.4	77.4
Total Cash Assistance*	\$ 106.2	\$ 112.8	\$ 108.2	\$ 108.2	\$ 110.8	\$ 111.7

*Expenditures in millions

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 for 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 increases by \$4.0 million to \$64.4 million if one or both of the work participation rates are not met. 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 for 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 recommended budget meets the requirement.*

Rhode Island Works. The November Caseload Estimating Conference estimate includes program expenditures of \$22.3 million entirely from federal funds. The estimate decreased the monthly caseload by 320 cases to a level of 9,600 and the monthly cost per person decreases by \$0.25 to \$178.05. The estimated program expenditures are \$0.8 million less than the enacted budget, primarily from the reduced number of persons with \$0.1 million less for transportation expenses along with minor adjustments for clothing and other supportive services.

The Department's request is consistent with the enacted level for the Rhode Island Works program and does not reflect the estimate adopted at the November caseload conference. *The Governor recommends funding consistent with the conference estimate.*

Child Care. The November Caseload Estimating Conference estimate includes child care expenditures of \$68.5 million, of which \$13.4 million is from general revenues. This is \$1.3 million less than enacted entirely from general revenues. The estimate reduced child care subsidies by 217 for a monthly level of 9,386 and also increases the annual cost by \$26 to \$7,300 for FY 2018. The estimate assumes continued program growth compared to the revised estimate and the impact of the new federal requirements, which are anticipated to begin in FY 2018. These new requirements include such changes as 12 months of uninterrupted child care benefits, three months of continued eligibility when a family faces a job loss, and increased funding allocated towards quality improvement activities.

The Department's request is consistent with the enacted level for the child care program and 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 and the 2016 Assembly until September 30, 2017.

The Governor adds \$1.0 million from general revenues to the conference estimate to increase reimbursement rates for child care providers who offer higher quality care. She does not include any corresponding legislation to change the rates which are set in statute.

Target - Child Care Wait List. As part of its constrained budget request, the Department proposes to limit the number of child care subsidies to families starting July 1, 2017 for savings of \$5.6 million from general revenues. The estimate was calculated prior to the November estimate with the Department assuming that 797 children at an annual cost of 7,042 would not be approved for services and would be part of a waiting list. However, the state has a \$9.9 million general revenue match requirement that it must make so that it can spend child care development block grant funds. If this proposal were accepted the state would not meet its match obligation since the savings would lower the general revenues to \$7.8 million, which is \$2.1 million less than what is required. *The Governor does not recommend this proposal.*

Target - Child Care Access/Training Programs. As part of its constrained budget request, the Department proposes to eliminate \$411,586 from general revenues for the child care program that allows eligible parents to have access to child care while in training programs starting July 1, 2017. *The Governor does not recommend this proposal.*

Child Care Providers Collective Bargaining Agreement. The state entered into a collective bargaining agreement with the Service Employees International Union 1199NE covering the Child Care Assistance Program family child care providers. The contract started July 1, 2015 and ends June 30, 2017 and includes reimbursement increases in FY 2016 for which the Assembly included legislation and funding as part of the FY 2016 enacted budget. The value of this increase, which was also granted for center-based providers

as well as the family providers covered under the contract, is estimated in the caseload conference at \$2.3 million.

Starting in FY 2017, there are also educational step increases and recognition of vacation closures as well as holidays and professional days; these items are part of current regulations and practice and are therefore already accounted for in the FY 2017 caseload conference estimate. Other items that are part of the collective bargaining agreement, but not tied to the existing statute, total \$0.5 million and are discussed separately below. The revised request assumes that existing federal resources through its Child Care Development Block Grant that are not allowed for direct care would be available to support these activities.

The statute authorizing the collective bargaining states that “*Any aspects of a contract requiring appropriation by the federal government, the general assembly, or revisions to statutes and/or regulations shall be subject to passage of those state or federal appropriations or statutory and/or regulatory revisions.*”

The FY 2018 obligations are an incentive pool and registration fees. The contract calls for \$250,000 to be designated to fund a quality incentive pool for family child care providers that will be provided in a tiered manner starting July 1, 2016. The method of funding is to be agreed to by the parties through the collective bargaining process no later than November 30, 2015, unless the parties mutually agree to extend the timeline within which to conclude negotiations on the tiered quality incentive payment. The Department includes \$125,000 in its revised and FY 2018 requests.

The agreement includes a provision that the state will pay an annual registration fee, which is not to exceed \$50 for each child receiving subsidized care for those licensed providers who have a written policy to charge all families a registration fee including those who are not supported by the state. The FY 2018 request includes \$113,200 from federal funds for these fees. *The Governor includes this funding.*

Supplemental Security Income Payments. The November Caseload Estimating Conference estimate includes FY 2018 direct supplemental security income expenditures at \$18.6 million from general revenues, or \$0.1 million more than enacted. The caseload increases by 47 persons to a monthly level of 33,777. Estimators increased the monthly cost per person by \$0.08 to \$45.65. The estimate also includes transaction fees at the enacted level of \$51,000. The Department requests the enacted level of funding for the program and does not reflect the estimate adopted at the November caseload conference.

As part of its constrained budget, the Department proposes limiting access to the state optional benefit that allows individuals to have moving expenses paid for under certain conditions for savings of \$100,000. The Department indicates it spends \$256,000 on this benefit.

The Governor recommends \$0.1 million less than the conference estimate; she concurs with the proposal to limit funds for moving expenses. Current law directs the Department to pay for moving costs or other expenses that result from an emergency of a catastrophic nature which is defined as a fire or natural disaster. It is unclear if this action requires statutory approval or can be accomplished through a rules and regulations change.

The following table includes the categories and monthly payments for calendar year 2017.

Supplemental Security Income Payments	CY 2017		
	State	Federal	Total
Individual living alone	\$ 39.92	\$ 735.00	\$ 774.92
Couple living alone	\$ 79.38	\$ 1,103.00	\$ 1,182.38
Individual living with others	\$ 51.92	\$ 503.33	\$ 555.25
Couple living with others	\$ 97.30	\$ 755.34	\$ 852.64
Resident in state licensed supportive residential care	\$ 300.00	\$ 735.00	\$ 1,035.00
Resident in assisted living	\$ 332.00	\$ 735.00	\$ 1,067.00
Supplement	\$ 20.00	\$ 30.00	\$ 50.00

Assisted Living State Supplemental Payment. The Department requests the enacted level of \$359,198 from general revenues, which is \$32,856 more than the amount spent in FY 2016, 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 recommend 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 \$1.5 million, entirely from general revenues. The estimate includes \$0.7 million for cash payments and \$0.8 million for burials, retaining the enacted number of persons at 400 and increasing the monthly cost per person by \$6.31 to \$142.31. The estimate is \$95,288 more than enacted. The Department requests \$1.4 million from general revenues, which is consistent with the enacted level and does not reflect the conference estimate. This program is designed for individuals who maintain an active application for the supplemental security income program. *The Governor recommends funding as requested.*

Hardship Payments. The Department requests \$210,000 from general revenues, consistent with the enacted budget 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 \$70,000 in FY 2016, \$100,766 in FY 2015, \$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; however, the constrained request only reduces expenditures by \$71,307 while the savings would be \$210,000. This program could be eliminated independently. *The Governor recommends \$30,000 less than enacted and provides \$180,000 for the program.*

Cash Assistance Administration

Rhode Island Works Pilot/Workforce Training. The Department requests \$0.8 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. This is \$0.7 million less than enacted, but the Department has not submitted any additional information regarding what this funding supports. *The Governor recommends funding as requested.*

Cash Assistance Administration. The Department requests \$26.7 million from all sources for administrative costs related to the Rhode Island Works, subsidized child care, supplemental security income and general public assistance programs, including \$4.9 million from general revenues and \$23.0 million

from federal funds. The request is \$1.2 million less than enacted, including \$1.0 million more from general revenues and \$2.2 million less from federal funds, and is \$0.9 million less than the revised request.

The request includes \$11.3 million for salary and benefit expenses, \$0.4 million more than enacted from all sources and \$0.5 million more from general revenues. The Department has not provided information describing the staffing changes among programs.

Requested operating expenditures total \$15.4 million, \$1.5 million less than enacted. The request includes grant expenditures of \$7.6 million for training and work activities for Rhode Island Works recipients and \$2.8 million for child care related programs, including licensing functions, resource and referral services, and training programs; this is \$0.8 million less than enacted and is consistent with the revised request. It also includes \$1.4 million for lease and security costs for the field offices, \$0.9 million for postage and printing, \$0.2 million for interpreters and translators, and \$0.1 million for the monthly fee to charge the electronic benefit cards for the Rhode Island Works recipients. It also includes \$2.5 million for office supplies, utilities, and various maintenance and operating expenses. *The Governor recommends funding as requested with the exception of \$23,913 from statewide benefit savings.*

Office of Veterans' Affairs

Office of Veterans' Affairs. The Assembly included Section 16 of Article 14 of 2016-H 7454, Substitute A, as amended to create an Office of Veterans' Affairs within the executive branch with the Director reporting directly to the Governor. The administrative activities, including the budget, would remain in the Department of Human Services. The Director position was already funded and the Assembly added two of the three outreach positions the Governor recommended for the Office. However, it appears that the third outreach aide was hired which would require that resources appropriated for staffing at the veterans' home would be used for this purpose instead. *The Governor includes the positions and \$0.4 million for the four positions.*

Veterans' Programs and Services. The Office requests the enacted level of \$0.2 million from general revenues which the 2016 Assembly included in the FY 2017 enacted budget to support various veterans' programs and services. The Office of Veterans' Affairs determines how the funding is allocated. *The Governor recommends funding as requested.*

Veterans' Home. The Office requests expenditures of \$50.6 million from federal funds for construction of the new Veterans' Home in FY 2018. This is \$40.6 million more than enacted and although not reflected in the expenditure totals, the Department requests expenditures of \$60.5 million from general obligation bond proceeds for the design and construction of the new Veterans' Home in FY 2017 and FY 2018. The home is scheduled to open in the fall of 2017 at a total cost of \$121.0 million.

This project is discussed in greater detail in the Capital Budget section of this publication. *The Governor recommends funding as requested.*

Federal per Diem. The Veterans' Home is paid a per diem rate by the federal government to assist in the daily costs of care of the residents at the Home. This rate is increased annually on October 1 and the percent increase is tied to the increases in healthcare costs nationally. The state received an increase October 1, 2016 of 1.2 percent for most residents. This adjustment has already been accounted for in the FY 2017 enacted budget and revised request; however, the federal FY 2018 increase was not included in the FY 2018 current services request. The per diem reimbursement varies to include: \$468.88 for those with a service connected disability, \$106.10 for nursing home and \$45.79 for those in the dormitory setting.

As part of its constrained request, the Office shifts general revenue expenditures of \$200,000 to these expected new federal funds. This reduction was not incorporated into the current services request because

the division was tasked with finding a certain amount of savings, and this allowed the division to reach its goal for savings proposals. *The Governor recommends this proposal; the savings are shown in the staffing and contracted nurses costs.*

Veterans' Home Staffing. The Office requests \$26.8 million from all sources for staffing and contracted nurse expenses including \$17.9 million from general revenues, \$7.9 million from federal funds and \$1.0 million from restricted receipts for 245.1 positions. This is \$18,503 more than enacted, including \$0.2 million more from general revenues, \$1.1 million less from federal funds and \$1.0 million more from restricted receipts while the number of positions is 3.0 above the enacted level. The request eliminates one Associate Director of Veterans' Affairs position, but inadvertently adds four new positions that are not funded. The request also includes other benefit changes consistent with Budget Office projections.

The Governor recommends \$81,210 less than requested to reflect statewide benefit savings. She also shifts expense revenues to available federal funds, reducing general revenues.

[It should be noted that subsequent to its budget submission, the Office was asked to provide an update for staffing projections at the new Veterans' Home by the Executive Office of Health and Human Services. It reported that it would need 39.0 new full-time equivalent positions, at cost of \$3.1 million, once the new home is occupied in fall of 2017. The Governor's recommendation did not include any new positions for the new home.]

All Other Operations. The Office requests \$2.9 million for all other operating expenses, including \$2.0 million from general revenues, \$0.2 million from federal funds and \$0.6 million from restricted receipts. This is \$47,076 more than enacted, including \$14,076 more from general revenues and \$33,000 more than enacted from restricted receipts. The request includes \$0.9 million for food, \$0.7 million for medical supplies, testing and pharmaceuticals, \$0.7 million for janitorial and linen expenses, \$0.1 million for computer information technology related expenses, and \$0.5 million for other operating expenses. *The Governor reduces requested expenses by \$6,892 to reflect statewide energy savings.*

Target - Weekend Burials. As part of its constrained budget request, the Office proposes eliminating Saturday burials and services, which would reduce overtime for general revenue savings of \$37,000. Each full burial requires four staff members to comply with safety requirements while each niche interment requires two staff members. Each burial lasts 45-60 minutes for a total staff time of between 3 and 4 hours per Saturday. In FY 2016, 236 Saturday burials were conducted over 50 Saturdays with an average of four burials per Saturday, including full burials and columbarium burials. The cemetery would remain open on Saturdays for visitors, which does not require any staff time. The proposal assumes a start date of July 1, 2017; however, notification of funeral home directors is required at least 30 days prior. This initiative was also proposed in the FY 2017 budget to meet the constrained budget but was not recommended by the Governor. *The Governor does not include this proposal.*

Target - Burial Charges. As part of its constrained budget request, the Office realizes \$300,000 from new revenue from charging the same \$747 that the Office receives as reimbursement from the federal Veterans' Administration for each veteran buried at the cemetery for a burial of a veteran's spouse. In FY 2015, there were 1,253 burials with 670 qualifying for the allowance and for FY 2016, there were 1,230 burials with 618 qualifying for it.

The proposal assumes a start date of July 1, 2017; however, notification of funeral home directors is required at least 30 days prior. *The Governor does not include this proposal.*

Other Capital Projects. The Department requests \$0.6 million for engineering services for water infiltration and irrigation projects at the cemetery; this includes \$0.3 million each from federal funds and restricted receipts. This is not consistent with the capital request which includes \$2.9 million from federal

funds for the services and other activities. The capital request does not include use of the restricted receipts account for this project which is also discussed in greater detail in the Capital Budget section of this publication. *The Governor inadvertently adds \$300,000 to the request; she also does not include funding in her capital recommendation for projects at the cemetery as is consistent with prior year practice of showing federal funding available for projects in the five-year capital plan.*

Division of Elderly Affairs

Integrated Care Initiative Grant. The Division has been awarded a \$0.4 million federal grant to be spent during FY 2017 and FY 2018 to support the state health insurance assistance program and to provide options counseling for individuals who are eligible for Medicare and Medicaid, also called “dual eligible.” This grant is available to states that have an integrated care initiative agreement with the federal government; for Rhode Island that is the Rhody Health Options program operated through the Executive Office of Health and Human Services. The Division has programmed \$0.4 million in both the revised and FY 2018 budgets but the grant total is \$0.4 million.

It should be noted that the Executive Office of Health and Human Services’ FY 2018 constrained budget eliminated the Rhody Health Options program, the state’s integrated care initiative program. *The Governor recommends funding as requested.*

Pharmaceutical Assistance to the Elderly. The Division’s request eliminates the \$120,693 from restricted receipts included in the FY 2017 enacted budget for the assistance program. This appears to be inadvertent since there is no intention to eliminate the program, which has experienced a continuing annual decrease in participation and utilization. The decrease results in a limited need for staff time, and there are nominal operating expenses included with the Division’s other operating expenditures for this program. The Division spent \$56,006 for FY 2015 and \$72,045 for FY 2016 to make the state’s portion of the pharmacy payment and those costs should continue for FY 2018 as long as the program is available. *The Governor recommends funding as requested.*

Home and Community Care Services. The Department requests \$6.3 million from all sources, including \$3.1 million from general revenues for home care, adult day and case management services. This is \$0.3 million more than enacted, including \$0.1 million more from general revenues and \$0.2 million more from federal funds to reflect the expected federal match rate. It should be noted that the Division spent \$5.3 million in FY 2014, \$5.0 million in FY 2015 and \$6.2 million in FY 2016.

These programs serve low-income elders who pay a portion of the costs of the services, which include bathing, dressing, household chores, ambulatory needs, adult day activities, and case management services based on needs assessments in physical, cognitive, social, emotional, financial, nutritional, and environmental domains. *The Governor recommends funding as requested.*

Senior Center Support. The Department requests the enacted level of \$400,000 from general revenues to support the state’s senior centers through a grant process. *The Governor recommends funding as requested.*

Meals on Wheels/Elderly Nutrition Services. The Department requests the enacted level \$530,000 from general revenues to support Meal on Wheels.

The Department’s constrained request reduces funding by \$200,000. *The Governor recommends the enacted level as requested.*

Respite Care. The Department requests the enacted level of \$140,000 for the Diocese of Providence to support the respite care program. *The Governor recommends funding as requested.*

Elderly Housing Security. The Department requests the enacted level of \$85,000 from general revenues to implement security measures in elderly housing complexes. Responsibility for the program is contained in Rhode Island General Law 42-66.1-3 and the Division annually issues a Request for Proposals to award the funds, which support new lighting, doors and alarms. *The Governor recommends funding as requested.*

Long Term Care Ombudsman. The Department requests \$209,086 for the long term care ombudsman, \$630 less than enacted and includes the enacted level of \$126,750 from general revenues. The Alliance for Better Long Term Care advocates on behalf of residents of nursing homes, assisted living residences and certain other facilities, as well as recipients of home care services and it fills the state's responsibility contained in Rhode Island General Law 42-66.7. The ombudsman program identifies, investigates, and resolves complaints raised by the aforementioned parties. *The Governor recommends funding as requested.*

Volunteer Guardianship Program. The Department requests \$81,512 from general revenues to support the volunteer program which provides guardianship services to low-income, older, at-risk persons residing throughout the state who have been identified by a referral source as being in need of this advocacy service; guardianships under this program do not involve decision-making regarding the property or finances of the person.

Currently the program is being operated through the Executive Office of Health and Human Services using existing staff and temporary legal staff through the Division. It should be noted that the Division reports that it cannot leverage Medicaid for the program and has excluded the Medicaid funding in its revised and FY 2018 requests. However, it is unclear if the Executive Office of Health and Human Services, the designated state Medicaid agency, concurs with this assessment.

The Department's constrained request eliminates the program. *The Governor recommends \$40,756 from general revenues for the program.*

All Other Programs and Operations. The Department requests \$12.7 million from all sources for remaining program and administration expenses within the division, including \$3.5 million from general revenues, \$9.1 million from federal funds and \$0.1 million from restricted receipts for an indirect cost rate. This is \$0.3 million more than enacted including \$26,710 more from general revenues, \$76,809 more from federal sources, and \$134,428 more from restricted receipts.

The request includes \$3.4 million for salaries and benefits for 31.0 positions, which is \$0.2 million more than enacted. The request adds back funding for 1.5 positions that were held vacant in the enacted budget. The Division leveraged \$0.1 million in new restricted receipts and have used it to for this purpose; however, the intent of the indirect rate is to offset general revenue expenses using other sources, not to fund new expenses. It also includes \$8.8 million, primarily from federal funds, for grants and services to assist seniors, which is \$0.1 million less than enacted from updated awards. The request also includes \$0.4 million for travel expenses, advertising, software maintenance agreements and other operating expenses. *The Governor recommends funding essentially as requested with the exception of \$7,031 from statewide benefit savings.*

Other Programs

Child Support Enforcement Program. The Department requests \$11.6 million from all sources for other expenditures related to child support enforcement. This includes \$3.5 million from general revenues and \$8.1 million from federal funds and is \$2.0 million more than enacted, including \$0.2 million more from general revenues. The request includes \$5.7 million for salaries and benefits, which is \$0.5 million more than enacted and 60.0 positions. It assumes turnover for 5.2 positions, which is 3.3 less than assumed in the enacted budget, and includes updated benefit rates and annualizes the final cost-of-living adjustment.

The request includes \$5.9 million for all other administrative expenses, including \$1.6 million from general revenues which is \$1.6 million more than enacted from all sources, primarily from federal funds. The request includes \$3.0 million, which is \$1.8 million more than enacted, to pay Northrup Grumman for system support. The request also includes \$0.7 million for processing payments and claims, \$0.6 million for lease and security costs, \$0.3 million for constable services, \$0.3 million for postage and printing, \$0.3 million for tax intercepts and \$0.7 million for all other operating expenditures. *The Governor recommends \$12,132 less than requested from general revenues to reflect statewide savings. She also recommends several requested changes, included separately.*

Target - Postage and Notifications. The Department includes savings of \$195,000, including \$66,300 from general revenues from reducing the number and variety of notices sent to families. This includes nine adjustments to the amount, frequency, format and content of notifications. This is the second year that this initiative has been proposed; the Governor did not include it in her FY 2017 recommended budget; however, the Division did make a number of these changes in FY 2017. Therefore, it is unclear why this is part of the constrained budget.

The changes made include: eliminating employer transmittals generated monthly; non-custodial parent monthly statements; elimination of the mailing of court orders to the Department of Children, Youth and Families, legal services and the Department of Corrections (interoffice mail or hand delivered); electronic submission of income withholding notices to employers instead of mailing of income withholding orders; fictitious addresses and homeless addresses being mailed; and combining three notices into one statement of amount due and programming is required.

The Division has not implemented the suppression of mailings to bad addresses, incomplete addresses, or the Kenyon (or pass through) monthly notices to custodial parents describing child support received and pass through remitted. A federal waiver is required for the Kenyon notice, to reduce the frequency from monthly to quarterly; it has already been submitted, but the Department has not received notification yet of a decision. *The Governor recommends this proposal.*

Target - Interpreters at the Family Court. As part of its constrained request, the Department proposes eliminating agency supplied interpreters at the Family Court for savings of \$24,600, including \$8,364 from general revenues. Providing interpreters is not required by law. The Department indicates that this initiative can be implemented within six months, to provide for proper notice; however, the savings assumed are for a full year. This initiative was also proposed by the Department in its FY 2017 request, but was not recommended by the Governor. *The Governor recommends a full year of savings from this proposal.*

Target - Constables for Service of Process. As part of its constrained request, the Department proposes to reduce the use of constables by eliminating all contempt motions for which both parties are served by a constable to appear for a hearing, which are filed because the non-custodial parent owes past due support and all administrative enforcement remedies have not produced assets or income for savings of \$20,000, including \$6,800 from general revenues. The Department indicates the initiative can be completed within approximately nine months; however, a full year of savings is assumed. This initiative was also proposed by the Department in its FY 2017 request, but was not recommended by the Governor. *The Governor recommends this proposal.*

Target - Printers. As part of its constrained request, the Department proposes savings of \$50,000, including \$17,000 from general revenues by replacing older printers with new, more efficient machines in Family Court.

It is unclear why this is part of the constrained budget, and it is also not included in the revised request. *The Governor recommends this proposal.*

Health Care Determination Administration - Staffing. The Department requests \$17.7 million from all sources for expenses related to eligibility determinations for Medicaid and long term care services, including \$5.0 million from general revenues and \$11.7 million from federal funds. This is \$2.7 million less than enacted, including \$2.1 million less from general revenues. This revision may be connected to the changes for cash assistance administration, but the Department has not responded to inquiries to clarify the reasons for these changes.

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 essentially as requested with the exception of \$24,060 from statewide benefit savings.*

Health Care Determination Administration - Operations. The Department requests \$6.6 million from all sources for other operations related to eligibility determinations for Medicaid and long term care services, including \$0.7 million from general revenues and \$5.9 million from federal funds. This is \$0.1 million more from federal funds and \$0.2 million less from general revenues.

The request includes \$2.7 million for operating expenses, including \$1.3 million for rent at the Fountain Street location, \$0.5 million for processing fees, \$0.3 million for postage and other office supplies, \$0.3 million for software maintenance agreements and \$0.3 million for all other costs. The request also includes \$3.9 million for contracted services, which includes \$3.7 million for medical reviews and temporary services and \$0.1 million for technology services. *The Governor recommends funding as requested.*

Supplemental Nutrition Assistance Program - Benefits. The Department requests the enacted level of \$282.0 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance Program in FY 2018. This is \$0.8 million more than the amount spent in FY 2016. *The Governor recommends funding as requested.*

Supplemental Nutrition Assistance Program - Staffing. The Department requests \$10.9 million, including \$5.5 million from both general revenues and federal funds, for staffing expenses to administer the Supplemental Nutrition Assistance Program. This is \$0.7 million more than enacted, including \$0.5 million more from general revenues. This revision may be connected to the staffing changes for cash assistance administration, but the Department has not responded to inquiries to clarify the reasons for these changes. The request also lowers overtime by \$0.3 million to \$0.6 million and includes benefit adjustments consistent with Budget Office planning values. *The Governor recommends funding essentially as requested with the exception of \$26,173 from statewide benefit savings.*

Supplemental Nutrition Assistance Program - Operations. The Department requests \$5.5 million from all funds, including \$1.4 million from general revenues, \$4.6 million from federal funds and \$0.5 million less from one-time bonus funds, for non-staff expenses associated with the administration of the Supplemental Nutrition Assistance Program.

The request includes \$1.2 million for nutrition education and \$0.7 million for employment and training services. It also includes \$0.9 million for administrative grants to participating vendors, \$0.6 million for the electronic benefit cards, \$0.6 million for printing and postage expenses, \$0.3 million for information technology support and \$0.7 million for lease and security costs. The request contains \$0.9 million for all other operating expenditures, such as interpreters, audit fees, utilities and office supplies. The request is \$1.7 million less than enacted, including \$0.3 million less from general revenues, and reflects decreases of \$0.6 million for monthly processing costs, \$0.2 million less for postage and printing and \$0.2 million less for technology support provided by Northup Grumman. The reduction is offset by increases of \$0.1 million more for lease property. *The Governor recommends funding as requested.*

Supplemental Nutrition Assistance Program - Penalty. The state has incurred three separate penalties resulting from high error payment rates in the Supplemental Nutrition Assistance Program. These can be for overpayments or underpayments to program recipients. This includes \$0.3 million that covered two years, FFY 2010 and FFY 2011, \$0.4 million for FFY 2012, and \$0.3 million for FFY 2013 revenues for the payment of the most recent Supplemental Nutrition Assistance Program penalty. The state met the rate threshold in FFY 2014 and FFY 2015. *As of January 1, 2017, the state has not received notice of any new penalties and the recommendation reflects that.*

LIHEAP and Weatherization Assistance Programs. The Department requests \$30.2 million from federal sources for benefits and operating expenses related to the low income home energy assistance and weatherization assistance programs. This includes \$29.2 million for home energy and weatherization projects; this is \$17.9 million more than enacted due to the spending of prior year awards and newly awarded funding for the low income home energy assistance program. The request includes \$0.9 million for salary and benefit expenses for 6.0 positions, which is \$0.1 million more than enacted and appears to overfund staffing needs, and \$0.2 million for operating expenses including \$0.1 million for technology support.

The low income home energy assistance program provides funds to assist Rhode Island's low income households to 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 funding as requested.*

Race to the Top. The Department excludes \$1.6 million from federal Race to the Top funds budgeted in FY 2017 to reflect the end of the program on December 31, 2016. The programs and initiatives include 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 Department received the award in December 2011, made no expenditures in FY 2012 and spent \$168,879 in FY 2013, \$3.6 million in FY 2014, and \$10.8 million in FY 2015. The grant award was set to expire December 31, 2015, but the state was able to receive a no-cost extension through December 31, 2016. The Department spent \$6.3 million for FY 2016 and requests the remaining \$3.9 million in funds for FY 2017 to complete activities within the grant award. *The Governor recommends funding as requested.*

Paratransit Services for the Elderly. The Department requests \$6.3 million from all sources for elderly transportation services, including \$1.4 million from general revenues, \$0.5 million from federal funds and the enacted level of \$4.4 million from its \$0.01 from gas tax proceeds. As part of an ongoing agreement with the Rhode Island Public Transit Authority, the Department transfers 79 percent of its portion to the transit authority and uses the remaining 21 percent for direct services.

The state also leverages Medicaid funds under the global waiver for certain transportation expenses that were previously state only and the requested general revenue decrease of \$97,079 from the enacted level reflects 2.4 percent growth for these expenses. This is consistent with the revised request which appears to overfund the state-only portion of transportation expenses by \$1.0 million and underfunds the state's ability to leverage Medicaid funds by \$1.1 million. If FY 2017 spending is consistent with FY 2016 actual

expenses, the revised request overfunds the state's obligation for the transportation expenses by \$0.5 million from general revenues.

The Governor includes Section 1 of Article 8 to transfer 21 percent of the \$0.01 to the Department and the remaining 79 percent directly to the Public Transit Authority but retains the \$4.4 million in the Department's budget.

The Governor also adds \$300,000 from general revenues for a pilot program to provide 10-trip RIPTA passes to some elderly and disabled individuals who previously received free bus passes. This would cover 15,000 passes and 150,000 trips.

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 approximately 2,500 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 adds \$390,000 from general revenues to increase funding to increase rates paid for 130 children to attend the program. Recent federal changes require increased instructional time and federal funding has increased to meet this requirement. The state increases support to do the same.

Community Services Block Grant. The Department requests \$3.6 million from federal funds for expenses related to the community services block grant, including salaries and benefits. The request is \$0.4 million less than enacted and includes \$3.5 million for direct grants awarded to the state's nine community action agencies, or \$0.3 million less than enacted, and \$0.2 million for staffing expenses and all other operating expenditures, \$0.1 million more than enacted. The request lowers funding to community agencies and shifts staffing costs to the grant. *The Governor recommends funding as requested.*

Family and Adult Services. The Department requests \$2.3 million, \$0.2 million less than enacted for social service support through the federally funded Social Services Block Grant. This includes \$1.4 million for staffing, \$0.3 million for grants and \$0.6 million for all other operations. FY 2016 funding supported Day One, Dorcas International Institute of Rhode Island, Rhode Island Coalition Against Domestic Violence, Rhode Island Donation Exchange and Diocese of Providence. *The Governor recommends funding as requested.*

Rhode Island Alliance of Boys and Girls Clubs. The Department requests the enacted level of \$250,000 from general revenues for the Boys and Girls Club Project Reach program, which provides homework assistance and afterschool activities. *The Governor recommends funding as requested.*

Day One. The Department requests the enacted level of \$217,000 from general revenues for outreach programs and supportive services programs at Day One. *The Governor recommends funding as requested.*

Institute for the Practice and Study of Non-Violence. The Department requests the enacted level of \$200,000 from general revenues to support the Institute's Violence Reduction Strategy program. *The Governor recommends funding as requested.*

Rhode Island Community Food Bank. The Department requests the enacted level of \$175,000 from general revenues for food collection and distribution through the community food bank. *The Governor recommends funding as requested.*

Community Action Agencies. The Department requests the enacted level of \$520,000 to support services provided by the state's seven community action agencies. *The Governor recommends funding as requested.*

Crossroads. The Department requests the enacted level of \$660,000 from general revenues to support activities provided by Crossroads Rhode Island that address homelessness and other related issues. Crossroads Rhode Island is the largest homeless services organization in the state that provides 24-hour assistance, seven days a week. *The Governor recommends funding as requested.*

Domestic Violence Prevention Activities. The Department requests the enacted level of \$1.1 million for domestic violence prevention activities, including \$0.8 million from federal family violence prevention funding and \$0.3 million from general revenues. Funding is contracted through the RI Coalition Against Domestic Violence and distributed to domestic violence shelters in the state. General revenues funding of \$300,000 is used for the Domestic Violence Prevention Fund established in state statute. *The Governor recommends funding as requested.*

Office of Rehabilitation Services - Staffing and Operations. The Department requests \$21.7 million from all sources for staffing and operations for the Office of Rehabilitation Services, including \$2.9 million from general revenues, and \$18.7 million from federal funds. This is \$0.2 million more than enacted, including an increase of \$0.6 million from general revenues and a decrease of \$0.4 million from federal funds.

The request includes \$14.5 million for staffing costs, which is \$1.0 million more than enacted and contains benefit rates consistent with Budget Office planning values. This revision may be connected to other staffing changes for cash assistance administration, but the Department has not responded to inquiries to clarify the reasons for these changes.

The Department requests \$17.0 million to support program operations, which is \$0.4 million less 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, \$2.1 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 \$0.9 million for contracted temporary clerical services to assist with processing applications, \$0.8 million for lease costs for the offices located at 20 Fountain Street in Providence, which is \$0.4 million less than enacted, and \$1.8 million for all other operating costs, which is \$0.2 million more than enacted for software maintenance agreements.

As part of the constrained request, the Department reduces general revenue spending on vocational rehabilitation services for individuals covered under the consent decree by \$0.9 million and shifts expenses to Medicaid funds. The Department's request assumes savings from leveraging the higher Medicaid rate through the Vocational Rehabilitation Services program, but the offset is against the Department's expenses which are already matched at the higher rate. For the savings to be achieved resources from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals that support consent decree activities would need to be shifted to the Department of Human Services' budget, which did not occur.

The Governor adds \$0.9 million above the request and includes general revenue savings of \$9,648 to reflect statewide benefit savings. She does not include the \$0.9 million from general revenue savings but instead increases federal funds by \$0.9 million; it appears this is an error.

Medicaid Rehabilitative Services. The Department requests \$0.9 million for three programs managed by the Office of Rehabilitation Services that provide services eligible for federal matching funds under provisions of the global Medicaid waiver. The services include social services for the blind, personal care attendants, and home modifications; these services are aimed at helping 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 \$112,175 less from Medicaid funds which overfunded general revenues.

Since this is a Medicaid program matched by state funds, any reduction in federal funds also results in reduction in general revenues which is not included in the revised request. The revised request should either be \$0.1 million less from general revenues further reducing program expenses or the \$0.1 million program reduction should be split between fund sources. *The Governor recommends funding as requested.*

Services for the Blind and Visually Impaired. The Department requests \$0.2 million more from general revenues for total funding of \$0.8 million for services to the blind and visually impaired. This includes \$0.7 million for staffing and \$0.1 million for all other operating expenses. *The Governor recommends \$3,601 less than requested to reflect statewide benefit savings.*

Refugee Assistance. The Department includes \$0.2 million more from federal funds for refugee assistance programs totaling \$0.4 million in the FY 2018 request. This includes \$0.3 million for grants and \$0.1 million for staffing. FY 2016 grant recipients included the Diocese of Providence, Rhode Island College and Dorcas International Institute of Rhode Island. *The Governor recommends funding as requested.*

Other Staffing. The Department requests \$1.7 million less than enacted, including \$1.9 million less from general revenues for total funding of \$1.1 million for other staffing. It reflects 11.9 positions, transferring 10.1 positions to other programs. As noted earlier in this analysis, there are increased staffing costs for cash assistance administration. *The Governor recommends \$29,796 less than requested, including \$35,410 less from general revenues to reflect statewide benefit savings.*

Other Operations. The Department requests \$2.0 million from all sources, including \$0.4 million from general revenues, \$1.5 million from federal funds and \$0.2 million from restricted receipts for all other operations. This is \$114,410 more than enacted, including \$44,682 more from general revenues, \$82,527 more from federal sources and \$7,749 less from restricted receipts. This includes \$1.3 million for shelter assistance and housing services and violence prevention activities. It also includes \$0.7 million for all other expenses including office supplies, printing and postage. *The Governor recommends funding as requested.*

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. There are currently 15 facilities that operate under the name COFFEE PLUS. The staff is trained through the Department's Office of Rehabilitation Services. The request is consistent with the Department's capital budget request, discussed in greater detail in the Capital Budget section of this publication. *The Governor recommends funding as requested.*

Dept. of Behavioral Healthcare, Developmental Disabilities and Hospitals

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 1,695,428	\$ 1,643,023	\$ 1,663,156	\$ 1,655,306
Services for the Dev. Disabled	246,242,419	250,626,970	259,897,372	256,707,760
Hosp. & Comm. System Support	2,914,190	2,744,439	2,728,133	2,717,954
Hospital & Comm. Rehab. Services	114,329,051	119,444,105	121,631,218	105,890,479
Behavioral Healthcare Services	20,451,467	26,631,039	25,155,674	27,395,432
Total	\$ 385,632,555	\$ 401,089,576	\$ 411,075,553	\$ 394,366,931
Expenditures by Category				
Salaries and Benefits	\$ 117,970,548	\$ 120,924,068	\$ 126,298,525	\$ 113,308,717
Contracted Services	3,542,312	4,068,708	3,653,824	3,263,348
Subtotal	\$ 121,512,860	\$ 124,992,776	\$ 129,952,349	\$ 116,572,065
Other State Operations	14,588,111	15,049,717	15,084,792	14,693,585
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	238,309,286	247,180,630	254,809,014	255,780,620
Capital	11,222,298	13,866,453	11,229,398	7,320,661
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 385,632,555	\$ 401,089,576	\$ 411,075,553	\$ 394,366,931
Sources of Funds				
General Revenue	\$ 173,184,239	\$ 181,721,907	\$ 186,270,608	\$ 179,645,532
Federal Aid	193,038,756	198,847,973	205,922,054	200,747,244
Restricted Receipts	8,435,824	6,909,155	7,909,155	6,909,155
Other	10,973,736	13,610,541	10,973,736	7,065,000
Total	\$ 385,632,555	\$ 401,089,576	\$ 411,075,553	\$ 394,366,931
FTE Authorization	1,352.4	1,352.4	1,352.4	1,319.4

Summary. The Department requests \$411.1 million from all sources including \$186.3 million from general revenues, \$205.9 million from federal funds, \$11.0 million from Rhode Island Capital Plan funds and \$7.9 million from restricted receipts in its FY 2018 request. The request is \$25.4 million more than the FY 2017 enacted budget and includes \$13.1 million more from general revenues, \$12.9 million more from federal funds and \$0.5 million less from restricted receipts and the enacted level from Rhode Island Capital Plan funds.

The request also includes the current staffing authorization level of 1,352.4 positions; the constrained request retains the authorized level. *The Governor recommends \$8.7 million more than enacted and \$16.7 million less than requested from all sources, which is \$6.6 million less than requested from general revenues. She includes 1,319.4 positions, 33.0 less than requested which represents the consolidation of finance positions in the Executive Office of Health and Human Services.*

Target Issues. The Budget Office provided the Department with a general revenue target of \$161.6 million. The amount includes current service adjustments of \$2.1 million and an eight percent target reduction of \$13.8 million, excluding the hospital license fee.

FY 2018 Budget	Budget Office	Dept .of BHDDH	Difference
FY 2017 Enacted	\$ 173,184,239	\$ 173,184,239	\$ -
Current Service Adjustments	2,142,547	13,086,369	10,943,822
Change to FY 2017 Enacted	\$ 2,142,547	\$ 13,086,369	\$ 10,943,822
FY 2018 Current Service/Unconstrained Request	\$ 175,326,786	\$ 186,270,608	\$ 10,943,822
Target Reduction/Initiatives	(13,753,437)	(17,209,319)	(3,455,882)
FY 2018 Constrained Target/Request	\$ 161,573,349	\$ 169,061,289	\$ 7,487,940
Change to FY 2017 Enacted	\$ (11,610,890)	\$ (4,122,950)	\$ 7,487,940

The constrained budget submitted by the Department is \$7.5 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$18.1 million above the target.*

Departmentwide

Staffing. The FY 2017 enacted budget includes authorization for 1,352.4 full-time equivalent positions. The Department's request reflects the authorized level; however, shifts staffing between programs. It adds 6.0 full-time positions in the Division of Behavioral Healthcare Services and Central Management and lowers staffing at the Eleanor Slater Hospital, and the Hospital and Community Support Program. *The Governor transfers 33.0 positions as part of the consolidation of finance functions for all agencies under the Executive Office of Health and Human Services, consistent with current law.*

Program	FY 2017 Enacted	FY 2018 Request	Change to Enacted
Central Management	11.6	13.0	1.4
Hospital and Community Support	19.0	15.7	(3.3)
Developmental Disabilities	414.0	414.0	-
Hospital and Community Rehabilitation Services (Eleanor Slater Hospital System)	874.8	870.7	(4.1)
Behavioral Healthcare Services	33.0	39.0	6.0
Total	1,352.4	1,352.4	-

Capital Projects. The Department requests \$11.1 million from Rhode Island Capital Plan and Medicaid funds for various projects, \$0.4 million less than enacted. It should be noted that the Department requests the enacted level of Rhode Island Capital Plan funds, which is not consistent with its capital request that increased the total to \$11.7 million. The request also lowers matching Medicaid funds by \$0.4 million, which also does not match the capital request. *The Governor includes \$3.9 million less than requested and \$4.3 million less than enacted. The Capital Budget section of this analysis includes project descriptions.*

Division of Developmental Disabilities

Developmental Disabilities Programs. The Department's FY 2018 request includes \$259.9 million from all sources, including \$126.9 million from general revenues for the program to support adults with developmental disabilities. It includes \$0.8 million for the upkeep and maintenance of the state owned group homes and day programming sites in the privately operated community based system primarily supported through the Rhode Island Capital Plan Fund. The Department's request is \$13.7 million more than enacted, including \$7.3 million more from general revenues. The enacted budget funds the monitoring

activities and the conversion workshop to satisfy the requirement of the consent decree the state entered into with the Department of Justice regarding individuals whose day activities were at sheltered workshops.

The following table breaks down division expenses for developmentally disabled adults who receive residential, community based and home services through the state-run system and/or the privately operated system. The state operates a Medicaid funded program for individuals who qualify for services through one of three programs. First, the Medicaid waiver includes residential and community based services delivered through both the state-run and privately operated programs to individuals who meet the program's statutory requirements. The second program, for those who do not meet the statutory requirement is the cost not otherwise matchable, or CNOM program, which is also allowed through the Medicaid waiver. The third Medicaid program is the rehabilitation option. Services through the second and third programs noted are only community based and through private providers. There are also individuals who receive case management services only. Each program is discussed separately.

Developmental Disabilities Services					
Program/Component	Individuals*	FY 2018 Request		FY 2018 Governor	
		Gen. Rev.	All Funds		
Privately Operated System - Residential and Day	3,462	\$ 106,426,063	\$ 216,269,180	\$ 105,350,872	\$ 216,550,917
Rehab Option - Day Programs	-	358,493	728,497	358,493	728,497
Medicaid CNOM - Day Programs	6	62,957	127,935	62,957	127,935
RICLAS (state-run) - Residential	147	15,094,999	32,612,209	13,081,687	28,807,869
Case Management Only	573	<i>not separately available - included below</i>			
Other State Only Services & Admin	-	5,005,106	9,366,888	4,938,097	9,299,879
Capital Projects	n/a	-	792,663	-	1,192,663
Total**	4,188	\$ 126,947,618	\$ 259,897,372	\$ 123,792,106	\$ 256,707,760

*Enrollment as of November 2016

**Does not include rehab option

The Governor recommends \$256.7 million, including \$123.8 million from general revenues; this is \$10.5 million more than enacted, including \$4.1 million more from general revenues. The Governor adds \$20.4 million in the privately operated system, \$9.2 million from general revenues and assumes savings of \$10.7 million, \$5.2 million from general revenues for several changes for a net change of \$9.8 million, including \$4.0 million from general revenues.

Medical Benefits/Rhody Health Options. Individuals receiving residential and other community based services receive medical benefits through the Executive Office of Health and Human Services. Individuals who are not 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 eligible," 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 lower 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. Testimony at the November 2016 caseload conference indicates that any individual eligible to enroll in the options program has done so but the Executive Office of Health and Human Services has been asked to verify that information as claims data suggests otherwise.

Monthly Caseload Report. Rhode Island General Law 22.1-22-39 requires that the Department submit monthly developmental disabilities caseload and expense reports to the House and Senate finance committee chairpersons, budget officer and fiscal advisors by the 15th of each month. The report is to be submitted in any format required by the house and senate fiscal advisors. The 2016 Assembly expanded the information contained in the current monthly report being submitted by the Department to include any reports that have been submitted to the federal court related to the consent decree along with the number of unduplicated individuals employed, the place of employment and the number of hours worked. It must also

report transitions to and from 24-hour residential placements, collection of patient liability, approvals and funding for services above the resource allocation levels.

The Department has submitted the documentation presented to the federal court but it has indicated that it cannot report on the number of individuals employed, the place of employment or the number of hours worked since it does not track that information. It is unclear why it would not do so given the statutory requirement.

For the collection of patient liability, the Department reports that there are currently 821 individuals with a cost of care payment requirement with financial monthly requirements totaling \$0.2 million, which the Department is not collecting. The Department's position is that it is the responsibility of the Executive Office of Health and Human Services' long term care unit to report on whether or not the collections by the providers are being made and that it does not have access to the information even though it can include this in the monthly report.

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: (1) 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 (2) 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 above the income threshold of \$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 \$890 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. The payment of this cost of care is a necessary condition for Medicaid eligibility.

Developmental Disabilities Ombudsman. The state currently does not have an ombudsman for adults with developmental disabilities to serve in a role similar to the long term care ombudsman who advocates on behalf of the rights of individuals receiving services in nursing home or other community settings.

During the 2016 legislative session, the Governor requested an amendment to direct the Department to use \$170,000, including \$83,251 from general revenues, of its appropriation for a Developmental Disabilities Ombudsman program in FY 2017 and the Assembly concurred. As of November 1, 2016, the Department has not started the process to fulfill this initiative and it does not appear to have included funding in its revised or FY 2018 budgets to account for this expense. *The Governor's recommendation does not appear to fund this activity.*

Privately Operated System. The Department requests \$217.1 million including \$106.8 million from general revenues for privately provided residential, day and family support programs through the state's Medicaid global waiver in its current services request. This is \$7.8 million more than enacted, including \$4.2 million more from general revenues and \$3.4 million more from federal funds. This excludes the home health aide funding previously discussed.

The Department's FY 2018 constrained lowers spending by \$24.7 million, including \$12.1 million from general revenues from three proposals that include: service rebalancing for savings of \$15.9 million, including \$6.5 million from general revenues, conflict free case management services for savings of \$6.3 million, including \$3.1 million from general revenues and additional revenue of \$2.6 million from charging rent to community based providers. It should be noted that the supporting documents indicate that any savings from these proposals need to be reinvested to support services to be in compliance with the consent decree. However, the Department has not provided any justifications for this assertion. Each is discussed separately.

The Governor recommends \$217.4 million, including \$105.8 million from general revenues; this is \$0.3 million more than requested and adjusts the updated Medicaid rate. This includes a current services adjustment totaling \$8.8 million, \$3.6 million from general revenues for projected program costs for FY 2018. She includes additional proposals, each discussed separately.

Governor's Recommendation - Privately Operated System			
Proposal	General Revenues	Federal Funds	Total
Current Service Adjustment	\$ 3,617,796	\$ 5,224,289	\$ 8,842,085
Direct Care Worker Rate Increase	3,000,000	3,165,228	6,165,228
Resource Allocations	1,750,410	1,846,816	3,597,226
Home Health Aides	900,000	949,568	1,849,568
<i>Subtotal</i>	\$ 9,268,206	\$ 11,185,901	\$ 20,454,107
Resource Allocations Review Process (L9)	(1,500,000)	(1,582,614)	(3,082,614)
Resource Levels (SIS Tiers)	(844,570)	(891,086)	(1,735,656)
Residential Conversion	(2,050,708)	(2,163,653)	(4,214,361)
Professional Supports Approvals and Rates	(800,000)	(844,061)	(1,644,061)
<i>Subtotal</i>	\$ (5,195,278)	\$ (5,481,414)	\$ (10,676,692)
Privately Operated System Total	\$ 4,072,928	\$ 5,704,487	\$ 9,777,415

Direct Care Worker Rate Increase. The 2016 Assembly included \$9.2 million from all sources, including \$4.5 million from general revenues from raising the payments for direct care workers and those working in integrated community-based activities that meet the requirements of the consent decree. The wages paid to other workers, such as supervisors and support coordinators are built off the direct care workers rate. *The Governor includes Article 23 for a one-time rate increase for direct support professionals and job coaches. She adds \$6.2 million from all sources, including \$3.0 million from general revenue for the increase.*

Resource Allocations. The Department's request includes funding for services that are provided for individuals that exceed their authorized resource levels, commonly referred to as "L9s." It appears that approximately \$18.0 million from all sources, including \$8.9 million from general revenues, is assumed in the FY 2017 enacted budget for these services. This funding is not segregated and is included in the authorization totals and can fluctuate from quarter to quarter based on the needs of the individual.

Subsequent to its budget submission, the Department reported that its revised request underfunded the cost of this practice by \$3.6 million from all sources, \$1.8 million from general revenues. As a comparison to FY 2016 spending, the fourth quarter authorizations totaled \$6.1 million while the authorizations for the first and second quarters of FY 2017 total \$7.0 million and \$6.9 million, respectively

The Governor adds \$3.6 million from all sources, including \$1.8 million from general revenues for the allocations. She also includes savings of \$3.1 million, including \$1.5 million from instituting a new review for the resource allocations. The net increase is \$0.5 million from all sources, \$0.3 million from general revenues.

Resource Levels (SIS Tiers). The FY 2017 enacted budget includes savings of \$1.4 million, of which \$0.7 million is from general revenues from keeping 96 individuals who have had their resource plan decrease because of an assessment change at the assessed lower level instead of the higher, previously assessed level. The Department's revised request includes the savings. *The Governor assumes savings of \$1.7 million, including \$0.8 million from general revenues from keeping individuals at the newly assigned levels and utilizing the recent assessments. This is the same savings included in the revised request.*

Home Health Aides. The FY 2017 enacted budget shifted \$1.8 million, including \$0.9 million from general revenues, in home health aide expenses from the Department's budget to the medical assistance program

in the Executive Office of Health and Human Service's budget. The Department spent \$3.1 million in FY 2016 for individuals enrolled in Rhody Health Partners, Rhody Health Options and fee-for-service. This is a covered benefit through the managed care plans; however, the Department reports that it is a benefit provided through the resource plans for developmentally disabled adults and a shift to the medical assistance program will cause a disruption in services. Since individuals are provided with a budget, which they can use towards services, it appears that use of a home health aide or resources on another activity is the choice of each individual. The Department requests \$1.8 million, including \$0.9 million from general revenues for FY 2018 for this activity.

It should be noted the enacted budget includes savings of \$1.5 million, including \$0.7 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 paid through the Executive Office of Health and Human Services. This system is not used by the Department to monitor home health services provided to this population. *The Governor recommends funding as requested*

Residential Conversion - Community Based Programs. The Department proposes reducing costs in the privately operated program by \$15.9 million, including \$6.5 million from general revenues from reducing the availability of group home placements; however, it has not provided the plan for this and the latest monthly report submitted in November shows a 17 persons increase in 24-hour residential placements compared to October. The proposal would move approximately 530 individuals to a lesser restrictive setting assuming a savings of \$30,000. This initiative is also included in the Department's revised request.

The Governor's FY 2017 recommended budget assumed savings of \$2.3 million from moving 50 individuals in 24-hour privately operated group homes to shared living provider arrangements. She later requested an amendment to add back approximately 75 percent of the savings taken from the proposal because the Department reported that it could not meet the savings initiative.

The Governor includes savings of \$4.2 million, including \$2.1 million from general revenues by transferring 66 individuals from a 24-hour group home placement to a lesser setting and accelerating the implementation of new rules by the Centers for Medicare and Medicaid Services for the new home and community based services. That home and community care change will not be required until FY 2019.

Supporting documentation indicates that as part of this proposal, there may be an agreement to forgive the loans that were provided to the community based agencies to build the residential system. This would require legislation and result in a loss of revenue to the state.

Professional. The FY 2017 enacted budget includes \$4.4 million, \$2.2 million from general revenues for professional supports, such as physical, speech and occupational therapy, and nursing supports. The Department includes the funding in its FY 2018 request. The Department had proposed eliminating the services in its FY 2017 budget request. The Assembly restored the funding. The Department provided an update that the savings would be achieved from providers billing an individual's medical coverage, Medicare and/or Medicaid, for the services. If an individual is enrolled in the state's Rhody Health Partners or Rhody Health Options managed care plans, the plans are paid a per member per month capitated rate that would cover these services through the Executive Office of Health and Human Service's budget; however, the Department was paying for the services through its budget.

The Department later reported that the services provided would be in addition to what is covered through the managed care plans and the Assembly restored the funding, which the Governor recommended.

The Governor recommends savings of \$1.6 million, including \$0.8 million from two changes to this benefit: updating the process to approve the services and payment for those services. The Department will no

longer include the services as part of a standard authorization and instead require the providers to first bill the individual's insurance, in most cases Medicaid, before paying for the service.

Target - Facility Rent Payments. There are 107 group homes that are owned by the state, being used by the privately operated community providers, to provide residential services to adults with developmental disabilities for which the state does not charge rent to use the space. The Department proposes charging a monthly rent for each of the homes but has not identified what the amount will be or how the process will work but assumes \$2.7 million in new restricted receipts in the current year from this proposal. This proposal is also part of the Department's constrained budget request.

The Department reported in December 2016 that it was not moving forward with the rent proposal. *The Governor does not include this proposal.*

Target - Case Management System. The Department has received approval from the Department of Administration to use \$0.5 million from the Information Technology Investment Fund to purchase an electronic case management system to track the services that are provided to individuals with developmental disability to comply with the consent decree.

The Department has issued a Request for Proposals for the system that it estimates will cost \$1.0 million and will attempt to leverage Medicaid for the remaining \$0.5 million. Case management services are delivered by the community providers as part of the authorization in an individual's service plan, and the Department spent \$6.5 million in FY 2016 on this service.

The Department's constrained request reduces costs in the privately operated program by \$6.3 million, including \$3.1 million from general revenues from using a new case management. This proposal would eliminate the funding provided through the authorizations but supporting documentation included in the budget request indicates that any savings would need to be re-allocated into the system to support activities through the consent decree. *The Governor does not include the savings from this proposal.*

Rehab Option - Day Programs. The Department requests \$0.7 million from all sources, including \$0.4 million from general revenues, which is \$0.5 million less than enacted for program expenses for day programming services provided through the Medicaid rehabilitation option. This optional program allows the state to provide day programming services to individuals who are Medicaid eligible but do not meet the state's criteria for these services through the primary developmental disabilities waiver. The Department reports that it does not have the information for the number of individuals participating; however, in prior fiscal years, it was reported that there were approximately 175 individuals receiving services. *The Governor recommends funding as requested.*

Medicaid CNOM - Day Programs. The Department requests \$127,935 from all sources, \$62,859 from general revenues for day programs through the Medicaid global waiver for services provided to individuals who are not otherwise eligible for Medicaid. This is \$27,935 more than enacted, including \$12,957 more from general revenues. This is consistent with the revised request to provide services to six individuals. *The Governor recommends funding as requested.*

Department of Justice Consent Decree - Monitor. The consent decree has two fiscal components: a monitor and a Trust Fund. The consent decree stipulates the state payment to the monitor is not to exceed \$300,000; the Department includes \$450,000 for monitoring costs. The Department reports that there are no specific activities tied to the excess \$150,000 requested for the consent decree and cannot provide a list of activities funded. This is consistent with the enacted level. *The Governor recommends funding as requested.*

Department of Justice Consent Decree - Trust Fund. Consistent with the enacted budget, the Department includes \$300,000 from all sources, including \$150,000 from general revenues for the Workshop Conversion Trust Fund that is administered by the Paul V. Sherlock Center on Disabilities at Rhode Island College.

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 FY 2015 and FY 2016 budgets included \$800,000 for the fund to support start-up costs for providers who convert services to supported employment. *The Governor recommends funding as requested*

Advocates in Action. The Department requests \$205,354 from all sources, including \$102,677 from general revenues to provide leadership and training activities to adults with developmental disabilities. The contract was signed March 16, 2016, and is in effect from April 1, 2016 through March 31, 2017. This is consistent with the enacted level.

Advocates in Action Rhode Island is a statewide self-advocacy organization whose mission is to empower people who have a developmental disability to advocate for themselves and others, to support and strengthen the self-advocacy movement and to raise awareness about disability issues in the community. The organization was incorporated in August 2012. *The Governor recommends funding as requested*

Burns and Associates Management Contract. Consistent with the enacted budget, the Department requests \$136,060 from all sources, including \$68,030 from general revenues, to pay Burns and Associates to implement the administrative and reimbursement program changes under Project Sustainability and other changes related to the consent decree. *The Governor recommends funding as requested.*

Administration and Other State Services. The Department requests \$0.4 million more than enacted for other state services for adults with developmental disabilities, including \$0.2 million less from general revenues. This includes staffing costs in the division for 54 positions, leaving 18 vacant, as well as state funded services to individuals who are not Medicaid eligible or the services being provided are not eligible for Medicaid reimbursement. *The Governor recommends general revenue savings of \$67,009 for statewide benefit changes.*

Rhode Island Community Living and Supports Program (RICLAS). There are 26 state run group homes that provide overnight care, of which three are special needs facilities that have the capacity to provide residential services to 172 clients. As of November 2016, there were 147 clients in the state run facility with 25 vacancies. The Department has established a policy that clients would be admitted into the state-run system in emergency situations only. It should also be noted that of the 147 clients, 64 attend a day program run by a community based provider.

The Department proposes savings of \$7.2 million from all sources, including \$3.1 million from general revenues, from rebalancing the services provided in the state-run system. The Department includes savings from closing group homes through natural attrition so it is unclear why this is in the constrained request and not in the current services one. *The Governor assumes savings of \$3.7 million, including \$1.8 million from general revenues from closing homes in FY 2018; one home closed in FY 2017, discussed separately.*

Current Services - State Operated Program. The Department requests \$32.6 million from all sources, including \$15.1 million from general revenues, to support staffing operations in the state-run system in FY 2018 including 297.0 full-time equivalent positions to provide services to less than 150 developmentally disabled adults in the state-run system.

The Department adds \$4.5 million to the enacted budget for staffing costs for a total of \$29.5 million at the state-run program for adults with developmental disabilities. This includes \$3.3 million for overtime, which is \$0.2 million more than enacted.

The enacted budget assumed \$3.7 million in savings from all sources, including general revenue savings of \$1.5 million from transitioning individuals in the state-run system to the private system. The July 2016 census of 150 has been reduced to 147 in November 2016; the July 2015 caseload was 188 individuals.

The remaining operating costs of \$3.1 million from all sources are used to operate the dental clinic and all other expenses. *The Governor reduces the request by \$0.1 million, which includes \$0.2 million less from general revenues for statewide benefit savings.*

Service Rebalancing - RICLAS. The Department's constrained request proposes savings of \$7.2 million from all sources, including \$3.1 million from general revenues from rebalancing the services provided in the state-run system. The Department includes savings from closing group homes through natural attrition so it is unclear why this is in the constrained request and not in the current services one.

The Governor recommended savings in her FY 2017 budget from a similar proposal but added back about 75 percent of the savings and the Department's revised request essentially adds back the rest.

The Governor includes savings of \$3.7 million from all sources, including \$1.8 million from general revenues from the consolidation of five homes for FY 2018. This includes two in July 2017, one in October, and two in January 2018.

RICLAS - Client Revenue. The Department requests \$1.9 million from restricted receipts to reflect client resources, including the \$749.92 monthly supplemental security income payments made to clients in the state-run developmental disabilities system to support their living costs, such as rent, food, utilities and other daily living expenses. This reflects the updated collection for individuals in the state-run system and is \$0.1 million more than enacted.

The Department has not lowered the collection in the constrained request, which should be reduced if the number of individuals has also been reduced. If it is a consolidation without a caseload reduction, then the collections would remain the same. *The Governor recommends funding as requested.*

Division of Behavioral Healthcare Services

The state provides behavioral health services including Medicaid funded mental health and substance abuse services to individuals through the Executive 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 Executive 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 Executive Office of Health and Human Services. With the transfer of the Medicaid funds to the Executive Office of Health and Human Services, the state now pays for Medicaid funded direct care and behavioral healthcare benefits through the Rhody Health Partners managed care plan.

Medicaid Expansion for Certain Adults. The November conference estimate includes \$504.0 million from all sources to provide health benefits to certain adults through the Medicaid expansion program. This includes \$476.1 million from federal funds and \$27.9 million from general revenues; FY 2017 is the first year that a state match must be provided for this program. A match rate of five percent is required as of January 1, 2017, so the full impact in FY 2018 is a 5.5 percent match. The Executive Office of Health and Human Services testified that behavioral healthcare spending in its budget for calendar year 2015 was \$215.4 million from all sources and does not include services paid for by the Department. *The Governor includes \$492.7 million; she includes \$27.5 million from general revenues for the expansion program in the Executive Office of Health and Human Services' budget.*

Federal Block Grants - Maintenance of Effort Requirement. The Department receives two federal block grants, the Substance Abuse Block Grant and Mental Health Block Grant, that have a maintenance of effort requirement that is the average two-year state spending prior to the grant award. The current grant award for FY 2017 has a maintenance of effort requirement that is \$11.5 million for the Substance Abuse Block Grant and \$56.2 million for the Mental Health Block Grant. The Department was able to count state only expenses and state match for Medicaid expenses in its budget. As noted, state expenses were able to be eliminated with the newly enrolled receiving full benefits through Medicaid but the change impacted the Department's ability to meet the maintenance of effort requirement. The 2016 Assembly passed legislation that allowed Medicaid expenses in the Executive Office of Health and Human Services' budget to count towards the requirement.

The Governor includes Article 15 of her recommended budget to clarify language that was passed by the 2016 Assembly allowing use of Medicaid funds for the maintenance of effort requirement.

Municipal Substance Abuse Task Forces - Regionalization. The Department includes \$1.5 million from its federal Substance Abuse Block Grant funds for the municipal substance abuse task forces. The Department issued a Request for Proposals to fund seven regions with the new program starting January 1, 2017. The proposed formula is a maximum award of \$150,000 with minimum awards of \$10,000 per municipality.

The program is statutorily mandated with the program's requirements outlined in Rhode Island General Law 16-21.2-2. The funding allocation includes a maximum grant of \$125,000 provided; however, in the event that available funding exceeds \$1.6 million in a fiscal year, those surplus funds are to be divided proportionately among the cities and towns on a per capita basis but in no event shall the City of Providence exceed a maximum grant cap of \$175,000. The new program appears to be in conflict with current law. *The Governor recommends funding as requested.*

Other Substance Abuse Treatment Block Grant. The Department requests \$6.1 million from federal funds for the remainder of the Substance Abuse Treatment Block Grant, \$81,447 more than enacted. Funding is awarded to community agencies to support local programs. *The Governor recommends funding as requested.*

Mental Health Block Grant. The Department requests \$1.9 million from the federally funded Mental Health Block Grant. Funding supports services provided by the community mental health centers and is \$0.1 million more than the enacted level to reflect the projected grant award. *The Governor recommends funding as requested.*

Medication Assisted Treatment Program. The Department of Corrections includes \$2.0 million for a new medication-assisted treatment program for opioid users, consistent with the enacted budget. For FY 2017, the Assembly funded a new initiative to treat opioid users in the Adult Correctional Institution. The funds are used to screen for opioid use and disorders and assess new inmates to determine treatment options. The initiative is also intended to start medication-assisted treatment prior to release with community referral

for ongoing treatment. The Department reports that approximately 70 percent of inmates suffer from drug and/or alcohol abuse. Also, a study of 419 individuals within two weeks of incarceration found that about 75 percent screened positive for likely substance abuse disorders and 26 percent reported frequent opioid abuse.

The program is being led by the Department's Medical Programs Director and a vendor contract has been established with CODAC Behavioral Healthcare. The Department is also working with Brown University to monitor and evaluate services. Inmates have been enrolled in the program and tests will continue to be administered to other inmates. Treatment will begin upon immediately entering admission and inmates serving less than one year will continue treatment throughout their time. Those serving longer sentences will be tapered off.

Approximately 2,175 inmates would be eligible for the services provided through this program across three subpopulations. These include opioid users who are already receiving methadone maintenance or soboxone treatment services in the community, users who are not receiving treatment in the community but who are appropriate candidates for the program, and users who have not been treated while incarcerated but who would benefit from starting the program pre-release.

The Governor recommends shifting funding from this program to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals; however, the Department of Corrections would continue to operate the program. According to supporting documentation, the funding transfer reflects the need to meet a maintenance of effort requirement for federal substance abuse funding awarded to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.

As previously noted, the Governor includes legislation allowing the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to meet its maintenance of effort using other state funds so it appears unnecessary to shift the medication assisted treatment program expenses.

Centers of Excellence - Medication Assisted Treatment Grant. The Department requests \$1.0 million from a newly awarded \$1.0 million federal medication-assisted treatment grant to establish Centers of Excellence for Opioid Use Disorders. The Department has also requested \$0.8 million in FY 2017 for the program. The Department applied for a \$3.0 million grant and the project period is September 1, 2016 through August 31, 2019. Funding after the first year is based on availability of funds and satisfactory progress of the project. *The Governor recommends funding as requested.*

The Governor includes Article 12 to seek federal approval to leverage Medicaid for treatment services through the centers starting in FY 2018. It is anticipated that there will be additional costs of \$1.4 million, including \$0.7 million from general revenues from this activity; however, the Governor's recommended budget does not include any funding for this program.

Recovery Houses. The Assembly passed 2016-H 8056, Substitute A, as amended, for the Department to certify recovery housing facilities which includes adhering to standards set by the National Alliance for Recovery Residences. The legislation also mandates that only certified housing facilities can receive state funding. As of January 2017, the Department has not certified any housing facilities and does not fund any facilities in its FY 2018 request. *The Governor's recommended budget includes \$200,000 from general revenues as part of the Justice Reinvestment Initiative.*

Screening, Brief Intervention and Referral to Treatment Grant. The Department requests \$1.7 million from federal funds for a five-year Screening, Brief Intervention and Referral to Treatment grant to pre-screen 250,000 Rhode Islanders over a five-year period for use of tobacco, alcohol, marijuana and other drugs with treatment being delivered to individuals in primary care and health centers, emergency

departments, and at the Department of Corrections. FY 2018 is the second year of funding. *The Governor recommends funding as requested.*

Behavioral Health Clinics Planning Grant. The Department requests \$0.5 million more than enacted from federal funds for the Rhode Island Certified Community Behavioral Health Clinic planning initiative to develop a behavioral health system of care that is person-centered, trauma-informed and recovery-oriented. The Department entered into a contract with the University of Massachusetts; the payment was made July 19, 2016. The Department has not provided the additional information requested for how the added funding will be spent in FY 2017 or FY 2018. *The Governor recommends funding as requested.*

Mental Health - Social Services Block Grant. The Department requests the enacted level of \$1.1 million from federal funds to support mental health services through the Social Services Block Grant to reflect the grant award. Funds are provided through the Department of Human Services and are consistent with the revised request. *The Governor recommends funding as requested.*

Homelessness Prevention - Veterans and Non-Veterans. The Department requests \$1.8 million in federal funds to address the housing needs of veterans and other individuals in coordination with the state and treatment providers. This is \$0.2 million more than enacted; funding supports a project manager and project management team to write the application and to provide technical assistance to the community mental health centers.

The Department received a three-year, \$5.4 million cooperative agreement from the Substance Abuse and Mental Health Services Administration for this project. The Department plans to award \$1.5 million to a community mental health center and its homeless service partners to provide outreach, treatment, recovery supports and benefits connections to those experiencing chronic homelessness, including veterans. The Department has also partnered with Rhode Island Housing to provide 50 vouchers annually and committed to providing services to another 50 individuals in housing who need support and outreach services to retain housing. *The Governor recommends funding as requested.*

Youth Access Grant. The Department requests \$462,137 from federal funds to enforce the state's tobacco laws that apply to youth; this is \$159,738 more than enacted. There are four staff assigned to the grant with funding awarded to the municipalities to enforce tobacco laws that pertain to youth. The Department reports that this is separate from SYNAR activities. *The Governor recommends funding as requested.*

State Innovation Models Grant. The Department requests \$177,612 from the federally funded State Innovation Models grant to support a chief of system transformation position in the division; this is \$1,313 more than enacted. The grant was awarded to the Executive Office of Health and Human Services and in coordination with the Department of Health, Office of Health Insurance Commissioner and HealthSource RI to support the development and implementation of an innovation and integrated model in the behavioral healthcare system. *The Governor recommends funding as requested.*

Strategic Prevention Framework Grant. The Department requests federal funding totaling \$2.2 million from a 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 request includes \$2.1 million for grants and \$0.1 million for operations, including two positions; this is \$13,293 more than enacted and consistent with the revised request. *The Governor recommends funding as requested.*

Healthy Transitions Grant. The Department requests federal funding of \$1.0 million from the healthy transitions grant, which includes \$0.9 million for grants and \$0.1 million for operating costs to manage the award. The purpose of this program is to improve access to treatment and support services for youth and young adults ages 16 through 25 who either have, or are at risk of developing a serious mental health condition. Services include outreach, screening and referral, coordinated specialty care treatment and wrap around supports. *The Governor recommends funding as requested.*

Rhode Island Youth Treatment Program. The Department requests \$250,373 from federal funds, \$135,003 more than enacted, for the youth treatment program including one coordinator position and other operating costs. The coordinator will be responsible for systems integration with the Department of Children, Youth and Families, creation and implementation of a strategic plan. *The Governor recommends funding as requested.*

SYNAR Activities. The Department requests the enacted level of \$48,000 from general revenues for SYNAR activities that monitor state tobacco compliance statutes in coordination with municipal law enforcement agencies. The state has paid for the activity with general revenues, although there is an opportunity to pay for a portion of the activity through its Substance Abuse Block Grant, it has chosen to use state funds. The activities that were allowable include paying for participants in undercover inspections, but federal regulations did not allow a state to pay for the certain administrative aspects (such as the police officer filling out paperwork related to issuing a citation). *The Governor recommends funding as requested.*

Rhode Island Housing - Thresholds. The Department requests the enacted level of \$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. This historical arrangement is not memorialized in any contract with Rhode Island Housing. *The Governor recommends funding as requested.*

Transition from Prison to Community Program. The enacted budget assumes the Department will use \$48,000 from federal Substance Abuse Block Grant funds for the Transition from Prison to Community Program that provided program recovery housing to address the needs of recently incarcerated individuals with substance abuse disorders to prevent relapses. Services include job readiness, peer support and education classes. The Department excludes the funding in its FY 2018 request. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Department requests \$3.0 million from all funds, \$2.1 million from general revenues for salaries and benefits to fund the remaining 33.0 positions in the Division of Behavioral Healthcare Services; the request leaves three positions vacant. The request is \$0.9 million more than enacted to reflect the addition of six positions transferred from other programs, to work on federal grants, shifting expenses to Medicaid and other benefit changes based on Budget Office planning values.

The Department's request shifts staffing expenses to the Medicaid administrative accounts for savings of \$0.5 million, which it uses to match Medicaid and fill the new positions. The Department reported that it has an internal cost allocation plan and will be using a time study to determine the accessibility of Medicaid funds for administrative expenses. Department staff reports that as of January 2017, it has not finalized the time study so it is unclear if this is allowable for the 28 employees who, prior to the revised or FY 2018 request, were paid through Medicaid funds.

It should also be noted that the Department adds back \$1.1 million from general revenues in the central management and hospital community support programs because it was determined that it could not leverage additional Medicaid funds through the cost allocation plan that is coordinated through the Executive Office of Health and Human Services. However, it now appears that it can, using an internal study conducted by

the Division staff. *The Governor recommends funding as requested, with the exception of statewide benefit savings.*

Other Operations. The Department requests \$0.7 million from all sources, including \$0.2 million from general revenues for all other operations. This is \$31,887 more than enacted, including \$17,800 more from general revenues and includes \$0.4 million for grants, primarily from federal funds for homelessness prevention services and \$0.2 million for all other operating expenses. *The Governor recommends funding as requested.*

Eleanor Slater Hospital

Hospital Summary. 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 state hospital occupies four buildings at the Cranston campus: Regan housing medical patients; Phillipe Pinel housing forensic patients, Adolf Meyer housing psychiatric/sex offenders and Mathias building which houses The Providence Center's substance abuse treatment unit. The Wallum Lake House at the Zambarano campus is a medical unit. The FY 2017 enacted budget is based on a census of 275 patients.

The Department's FY 2018 budget request of \$121.6 million, including \$53.2 million from general revenues is based on a census of 275 patients, which is an annual cost per person of \$442,295 taking into account the capital plan funding.

The Governor includes \$105.9 million, including \$47.6 million from general revenues and assumes savings from hospital reorganization that may impact patient census. The Governor's budget requests authorization to issue \$8.1 million in new debt to develop a hospital information system, including electronic medical records and patient/case management tracking for the Departments of Human Services, Corrections and Behavioral Healthcare, Developmental Disabilities and Hospitals. The system will provide admissions, discharge and transfer information on patients; financial records; order entry and medication administration; and electronic medical records.

Hospital Licensing Fee. The enacted budget includes \$6.6 million from all sources to pay the 5.652 percent fee assessed on state and community hospitals' revenue for the hospital year ending September 30, 2015, including \$3.4 million from general revenues. The Department's request incorrectly adds \$0.4 million for a payment of \$7.3 million for FY 2018. *The Governor adds \$47,789 from federal funds which is in error.*

Hospital Administration. The Department's FY 2018 budget request of \$121.6 million, includes \$53.2 million from general revenues, \$49.2 million from federal funds, \$4.9 million from restricted receipts and \$4.2 million from capital plan funds.

The Department's request adds \$7.3 million from all sources, including \$4.2 million from general revenues and is \$2.3 million more for salaries and benefits, \$0.5 million more for operating and the enacted level of contracted services and projects funded from Rhode Island Capital Plan funds. The request also adds \$3.4 million for expenses as grants. This also appears to be for staffing, but is not budgeted properly.

The FY 2017 enacted budget includes savings of \$8.4 million, including \$4.7 million from general revenues from the Department's plan to reorganize the hospital footprint. The revised request restores \$4.3 million from all sources, including \$2.8 million from general revenues, and the FY 2018 request restores \$6.9 million, including \$4.1 million from general revenues.

The Governor recommends savings of \$6.9 million, including \$3.4 million from general revenues, from consolidation of hospital units in FY 2018 compared to the request. Consistent with the revised recommendation, restricted receipts are reduced by \$1.0 million based on current FY 2017 collections.

The recommended budget assumes savings from vacating Pinel and moving forensic patients to the Roosevelt Benton Youth Assessment Facility once the Department of Children, Youth and Families has consolidated the youth under its care into the Youth Development Center. The plan also includes closing a unit of the Meyer building, which houses sex offenders and transferring them to the Benton facility. It should be noted this also appears as a separate proposal to move this population to a lower cost facility.

The plan also includes transferring patient at the Regan medical building in Cranston to the Zambarano campus and converting a unit at Regan to a step-down unit for psychiatric patients. She also includes several other proposals, discussed separately that are also part of the reorganization plan.

Applied Management Systems Contract. The state entered into a contract with Applied Management Systems (AMS) to reconfigure the footprint and operation of the state run hospitals. The FY 2017 enacted budget includes \$0.6 million from all sources, \$0.3 million from general revenues, for contracted services, and the FY 2018 request includes the funding for this purpose since the contract has been extended until September 2017.

The Department proposes savings in its FY 2018 constrained budget that reflect the final report provided by the management consultants. The following constrained proposals were included in the final report. *The Governor includes \$0.3 million, of which \$0.2 million is general revenues for the contract for FY 2018; this is \$0.3 million less than requested including \$0.2 million less from general revenues.*

Sex Offenders to Alternate Non-Hospital Setting. The Department's constrained budget proposes savings of \$1.0 million, including \$0.5 million from general revenues from transferring sex offenders who receive in-patient care at the state hospital to an alternate, non-hospital setting. The Department has nine individuals who receive services at the hospital rate of approximately \$1,200 a day, or \$0.4 million annually. This rate is consistent across all hospital placements, including medical and psychiatric, and not specific to this patient placement.

The hospital provides in-patient psychiatric care to individual with behavioral healthcare needs, convicted of a sexual related crime (court ordered) and those who have voluntarily admitted themselves to the state hospital. This proposal would potentially transfer costs to the Executive Office of Health and Human Services assuming an alternative Medicaid funded residential placements. Supporting documentation indicates that the Department has not identified the level of care that would be required in a new setting but assumes a \$300 a day cost similar to reimbursements for those an individual in the Developmental Disabilities system who is assessed at the highest resource level.

The Governor recommends this savings. It should also be noted that because this population is also included separately in the hospital reorganization savings that moves this population to the Roosevelt Benton Youth Assessment Center, so savings are double counted.

Staffing. The Department proposes savings of \$1.0 million from all sources, including \$0.5 million from general revenues from anticipated changes to staffing including an assessment of staffing needs and management of overtime. The proposal assumes hiring a staffing manager to perform the assessment; however, the Department has not indicated if the savings is net of the \$0.1 million cost for the new hire. Supporting documentation indicates that the new hire would report to nursing management and oversee four existing staff members. The Department reports that the objective is to reduce overtime and assess staff workload in an effort to "right size" all staffing types to deliver the proper services levels in the most cost efficient manner. *The Governor recommends this proposal.*

Medical Records Staff. The Department proposes savings of \$104,000 from all sources, including \$52,000 from general revenues from eliminating staff in the medical records department. The Department reports that as a result of decreasing patient census, there is a decrease in admissions and corresponding medical records. It is unclear why the impact of patient attrition and any savings associated with it would appear as savings in a constrained budget and not part of a current services request. *The Governor recommends this proposal.*

Regan 6. The Department proposes savings of \$250,000 from all sources, including \$125,000 from general revenues closing one medical unit in the Regan building and relocating ten patients to one of the three remaining units in the building. The Department reports that the unit was closing on September 2, 2016 and that it projects overtime savings of \$1.5 million in FY 2017 and \$250,000 in FY 2018. This appears to be structural so it is unclear why the overtime savings decreased in FY 2018 instead of increasing above the level assumed in the revised request. It is also unclear why this is part of the constrained budget and not the current services one if the closure has occurred. *The Governor recommends this proposal.*

Contracted Medical Services. The Department proposes savings of \$100,000, including \$50,000 from general revenues from reducing expenses for contracted medical services, including occupational and behavioral therapy, respiratory services and temporary radiological technologists. The Department reports that this will be achieved through a competitive bidding process for services but has not provided an update on that process. *The Governor recommends funding as requested.*

Radiology Services. The Department proposes savings of \$102,375, including \$51,188 from general revenues from downsizing the radiology unit by outsourcing radiology services. The Department reports that the radiology departments at both facilities processes 600 x-rays annually or approximately two per day. The proposal will eliminate a 0.8 full-time position and the remaining positions will be retained and will use a contracted radiologist. The Department indicates that if the radiologist is not on-site then a secure method of transferring the data will be required and that expense is not factored in the proposal.

Supporting documentation shows savings from a 0.8 full-time equivalent positions reduction; however, the Department did not reduce its overall staffing authorization in its constrained request. *The Governor recommends savings as requested but does not reduce the number of full-time equivalent positions assigned to the hospital.*

Downsize Physicians. The Department proposes additional savings of \$199,000, including \$99,500 from general revenues from eliminating two physician positions in November 2016, or FY 2017, and annualizing the savings to \$0.4 million in FY 2018. The process started in FY 2017 as a result of a disciplinary action towards two physicians so it is unclear why the savings are part of the constrained request and not the current services budget. The FY 2017 savings are included in the enacted budget as part of the proposal to reorganize the state hospital system.

Supporting documentation shows savings from eliminating two full-time equivalent positions; however, the Department did not reduce its overall staffing authorization in its constrained request. *The Governor recommends savings as requested.*

Physician Assistance and Other Medical Professionals. The Department proposes additional savings of \$49,748, including \$24,875 from general revenues, from downsizing the number of physicians on staff and replacing them with other medical professionals, such as physician assistants and/or physical therapists. The Department has not provided any additional information as to how this process will work or if the downsizing will be through attrition. *The Governor recommends this proposal.*

Target - Lab Testing for Department of Corrections. Applied Management Services recommended that the Department charge the Department of Corrections for lab testing that it currently provides for no charge.

Based on the recommendation, the Department of Corrections instead issued a Request for Proposals for the services and received proposals that totaled \$130,000 per year and signed a new agreement on October 20, 2016.

The Department's constrained budget proposes savings of \$140,000 from general revenues with the intent of matching the bid and continuing to provide the services while charging the Department of Corrections. The Department did not participate in the Request for Proposals process with the Department of Corrections. The start date for this initiative is April 1, 2017, with an assumed charge of \$10 a test. It should be noted that there have been no reductions in staffing in the state-run hospital laboratory.

The Department reports that it tests 8,400 specimens resulting in about 18,700 tests performed. The Department reports in its supporting budget documentation that the Department has not been fully reimbursed for these services but since this is another state agency and the hospital budget is fully funded for services, including all laboratory ones, it would appear that this statement is misleading. *The Governor does not include this proposal but does propose privatizing the laboratory, discussed separately.*

Target - Uncompensated Care. The 2016 Assembly passed legislation to make the \$139.6 million payment to the community hospitals for uncompensated care through the Executive Office of Health and Human Services' budget for FY 2018; uncompensated care is the difference between state reimbursements and hospital costs. The Department received a \$1.5 million payment for its uncompensated care prior to the FY 2018 budget, which was deposited as a departmental revenue. The state has the option to provide the funding to both the state and community hospitals through its state plan amendment and the uncompensated care reported by the Department is for the portion that it does not receive Medicaid match for. Unlike the community hospitals whose reimbursements may not fully cover its costs, the Department is fully funded for all its costs through its annual state appropriation. The Department proposes to increase its share of the uncompensated care allotment for its individuals who are not eligible for Medicaid; however, as noted all expenses are reimbursed through its budget. This is in its supporting budget submission documentation but it does not adjust its budget for this payment.

The Governor includes Section 2 of Article 12 to add government and psychiatric hospital to the definition of participating hospital. This appears to open the door to an uncompensated care payment to the Department but the recommended budget does not make any changes to the payments that are scheduled to be made to the community hospitals for FY 2018 to allow for this payment.

Hospital and Community System Support

Salaries and Benefits. The Department requests \$2.0 million from all sources for salaries and benefits to support 15.7 positions in the hospital and community support program. This is \$0.2 million less than enacted including \$0.6 million more from general revenues and shifts 3.3 positions to the Division of Behavioral Healthcare Services. It also includes updated benefit changes and restores turnover assumed in the enacted budget from keeping positions vacant.

The Department restores \$603,425 of the \$789,226 assumed in the enacted budget from federal receipts derived from an approved cost allocation plan to support ten positions in the Division of Hospital and Community Support. The Department was in coordination with the Executive Office of Health and Human Services to enter into a cost allocation plan but that did not occur. The Department reports that it is unable to negotiate a federal indirect cost recovery rate that would offset state funded program costs. *The Governor recommends funding as requested adjusting for statewide benefit savings.*

Other Expenses. The Department requests \$87,000 from general revenues for operations in the home and community system support program. This includes \$82,200 for operating and \$4,800 for contracted

services, including information technology services and building maintenance and is \$256 less than enacted. *The Governor recommends funding as requested.*

Central Management

Salaries and Benefits. The Department requests \$1.6 million from general revenues for staffing costs in central management. This is \$38,761 less than enacted and includes 13.0 full-time equivalent positions. The request adds 1.0 full-time equivalent position, converts another to full-time, uses updated planning values and assumes turnover savings equivalent to keeping 0.8 positions vacant.

The request adds \$0.6 million from general revenues in lieu of federal funds that was included in the FY 2017 enacted budget from leveraging federal funds through a cost allocation plan. Consistent with the revised request, the Department reported that it could not receive additional federal funds through a cost allocation plan; however, it also reports that it cannot leverage federal funds through a separate arrangement, an indirect cost recovery rate that is similar to the plan that the Department of Health uses to offset costs in its budget. *The Governor recommends funding as requested adjusting for statewide benefit savings.*

Other Expenses. The Department requests \$6,489 more than enacted for funding of \$108,560 from general revenues for all other central management expenses. *The Governor recommends funding as requested.*

Office of the Child Advocate

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 667,945	\$ 687,085	\$ 699,189	\$ 770,224
Contracted Services	500	500	500	500
Subtotal	\$ 668,445	\$ 687,585	\$ 699,689	\$ 770,724
Other State Operations	26,137	24,320	23,820	23,820
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	100,000	66,250	100,000	17,785
Capital	1,000	2,000	-	2,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 795,582	\$ 780,155	\$ 823,509	\$ 814,329
Sources of Funds				
General Revenue	\$ 650,582	\$ 635,541	\$ 678,888	\$ 669,708
Federal Aid	145,000	144,614	144,621	144,621
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 795,582	\$ 780,155	\$ 823,509	\$ 814,329
FTE Authorization	6.0	7.0	7.0	7.0

Summary. The Office of the Child Advocate requests \$823,509 from all sources which is \$27,927 more than enacted. The request includes \$28,306 more from general revenues and \$379 less from federal funds. The request includes 7.0 full-time equivalent positions, 1.0 more than the enacted authorization. *The Governor recommends \$0.8 million, which is \$18,747 more than enacted and \$9,180 less than requested.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$602,446. The amount includes current service adjustments of \$4,251 and an 8.0 percent target reduction of \$52,387. The constrained budget submitted by the agency is \$6,044 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$67,262 above the target.*

FY 2018 Budget	Budget Office	Child Advocate	Difference
FY 2017 Enacted	\$ 650,582	\$ 650,582	\$ -
Current Service Adjustments	4,251	(11,885)	(16,136)
New Initiatives	-	40,191	40,191
Change to FY 2017 Enacted	\$ 4,251	\$ 28,306	\$ 24,055
FY 2018 Current Service / Unconstrained Request	\$ 654,833	\$ 678,888	\$ 24,055
Target Reduction/Initiatives	(52,387)	(82,486)	(30,099)
FY 2018 Constrained Target/Request	\$ 602,446	\$ 596,402	\$ (6,044)
Change to FY 2017 Enacted	\$ (48,136)	\$ (54,180)	\$ (6,044)

Case Management Coordinator (1.0 FTE). The Office requests \$40,191 from general revenues for half of the annual cost for a new Case Management Coordinator position, based upon the assumption that it

would be filled in January 2018. This position would be responsible for assisting the Office's Staff Attorney with coordination and oversight of the Office's federal Crime Victim Assistance grant. It should be noted that the Office appears to have miscalculated costs for Social Security taxes in both its FY 2017 revised request and FY 2018 request. Correcting for this error, the Office's FY 2018 request includes \$40,496 from general revenues for this position. It should also be noted that this position is potentially eligible for federal funding from the Office's Crime Victim Assistant grant, for which the FY 2017 enacted budget includes \$100,000 of unallocated funding.

The Governor recommends \$81,829 from unallocated federal Crime Victim Assistance Grant funds to reflect a full-year of salary and benefit costs for this new position. This is \$41,638 more than requested, including \$40,191 less from general revenues.

Crime Victim Assistance Grant. The Office's request includes \$144,621 from federal funds for the Crime Victim Assistance grant, \$379 less than enacted but consistent with the revised request. This includes \$44,591 to partially support salary and benefit costs for the Office's Staff Attorney III position and \$30 for the annual audit fee associated with this grant; the remaining funding is not allocated for any specific purpose. It should be noted that the Office appears to have miscalculated costs for Social Security taxes in both its FY 2017 revised request and FY 2018 request. Correcting for this error, the Office's FY 2018 request includes \$44,977 from federal funds for a portion of the Staff Attorney III position, consistent with the enacted budget. All other benefit changes are largely consistent with FY 2018 Budget Office planning values.

The enacted budget also includes \$100,000 in funding from this grant that the Office secured in late FY 2016. The Office has indicated that this additional funding could be used to support salary and benefit costs for other positions, but the request does not allocate this funding for any specific purpose. Potential uses include partial funding for the newly requested Case Management Coordinator position and more funding for the Staff Attorney position.

The Governor's recommendation provides \$81,829 from this unallocated funding for the new Case Management Coordinator position discussed previously. The remainder of her recommendation is consistent with the request.

All Other Staffing. The Office requests \$614,407 from general revenues for all other salaries and benefits, \$8,561 less than enacted to primarily reflect salary reductions associated with filling several vacancies at lower pay grades than incumbents. These decreases are partially offset by a step increase for one position and other benefit changes consistent with Budget Office planning values. This represents full funding for the current complement of 6.0 authorized positions. It should be noted that the Office appears to have miscalculated costs for Social Security taxes in both its FY 2017 revised request and FY 2018 request. Correcting for this error, the Office's FY 2018 request would be \$3,169 less than enacted.

The Office's constrained request reduces funding for salaries and benefits by \$73,986, representing an across-the-board reduction of 10.6 percent. These savings would be achieved by an unspecified number of furlough days for all of the requested positions.

The Governor recommends \$29,011 more than requested from general revenues for all other salaries and benefits. This reflects updated staff benefit selection and correctly budgeted benefit rates. The recommendation also includes changes in title and pay for two vacant positions to better reflect anticipated educational and social work experience needs for these positions. These increases are partially offset by \$3,514 less for statewide benefit savings.

Other Operations. The Office requests \$24,290 from general revenues and \$30 from federal funds for all other operations. This is \$3,324 less than enacted from general revenues and \$1,500 less than the revised

request. The federal funds are used for an annual audit fee associated with the Office's federal Crime Victim Assistance grant. Changes to the enacted budget include exclusion of one-time software expenses, planned cancellation of certain subscriptions and reduced mileage reimbursements. These savings are partially offset by \$500 more for the bi-monthly meetings of the Child Advisory Committee, based upon historical expenditures.

The Office's constrained request reduces funding for other operations by \$8,500 from general revenues. This includes reductions for mileage reimbursement, computer equipment and software purchases, legal journal subscriptions, funding for travel to out-of-state conferences and training seminars, and a number of other miscellaneous items.

The Governor recommends \$2,000 more than the unconstrained request for office furniture purchases including desks and bookcases, based upon a request made by the Office subsequent to its budget submission.

Commission on the Deaf and Hard of Hearing

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 426,986	\$ 407,809	\$ 469,911	\$ 467,069
Contracted Services	101,146	102,646	100,646	100,646
Subtotal	\$ 528,132	\$ 510,455	\$ 570,557	\$ 567,715
Other State Operations	56,114	76,695	57,395	57,395
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	3,500	3,500	2,800	2,800
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 587,746	\$ 590,650	\$ 630,752	\$ 627,910
Sources of Funds				
General Revenue	\$ 477,746	\$ 460,650	\$ 520,752	\$ 498,710
Federal Aid	-	-	-	-
Restricted Receipts	110,000	130,000	110,000	129,200
Other	-	-	-	-
Total	\$ 587,746	\$ 590,650	\$ 630,752	\$ 627,910
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Commission on the Deaf and Hard of Hearing requests FY 2018 expenditures of \$630,752 from all funds and 4.0 full-time equivalent positions. This is \$43,006 more than enacted from general revenues. The staffing request is consistent with the enacted authorization. *The Governor recommends \$2,842 less than requested including \$22,042 less from general revenues to reflect shifting \$19,200 of contracted interpreter services from general revenues to restricted receipts and statewide benefit savings.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$446,020. The amount includes current service adjustments of \$7,058 and an 8.0 percent target reduction of \$38,784.

The constrained budget submitted by the agency is \$33,072 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$52,690 more than the target.*

FY 2018 Budget	Budget Office	Deaf and Hard of Hearing	Difference
FY 2017 Enacted	\$ 477,746	\$ 477,746	\$ -
Current Service Adjustments	7,058	43,006	35,948
Change to FY 2017 Enacted	\$ 7,058	\$ 43,006	\$ 35,948
FY 2018 Current Service/ Unconstrained Request	\$ 484,804	\$ 520,752	\$ 35,948
Target Reduction/Initiatives	(38,784)	(41,660)	(2,876)
FY 2018 Constrained Target/Request	\$ 446,020	\$ 479,092	\$ 33,072
Change to FY 2017 Enacted	\$ (31,726)	\$ 1,346	\$ 33,072

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 from the Dual Party Phone Relay surcharge of \$0.09 on all landlines. The Commission is requesting the enacted amount of \$110,000 for FY 2018. Expenditures include \$22,000 for interpreters and translators, \$40,000 for a contracted employee to manage the program and \$34,000 for electronic communications equipment to be installed at state facilities. The remaining \$14,000 is for printing associated with advertising, travel, staff training, subscriptions and other office supplies. *The Governor recommends \$129,200 for FY 2018, which is \$19,200 more than enacted and requested. This primarily reflects shifting \$15,000 of contracted interpreter services and \$4,200 for the online interpreter referral service to available emergency and public communication access restricted receipts, which appears to be an allowable use of funds. Because of prior year underspending, the fund would still have a positive balance at the end of FY 2018.*

Interpreter Services. The Commission requests \$146,003 from general revenues for interpreter services for FY 2018. This includes \$110,057 for a new interpreter and \$35,946 for contracted interpreter services. The request includes an additional \$39,747 to reflect a higher salary for the new staff interpreter position than included in the enacted budget. The 2016 Assembly provided \$70,310 to fully fund a new interpreter position in FY 2017 for public hearings, informational sessions, and interoffice communication offset by savings of \$10,000 for contracted translation and interpreter services. Consistent with its revised request, the FY 2018 request recognizes additional savings of \$4,200 for contracted interpreter services. The total impact to the FY 2017 enacted budget is \$35,547.

As part of its constrained request, the Commission excludes all funding for contracted interpreter services for savings of \$35,946. The Commission indicates that this reduction would result in first responders, hospitals and officials delivering emergency press conferences not having access to the emergency referral service.

The Governor recommends \$4,198 less than requested for the new staff interpreter position to reflect a lower pay grade based on a Budget Office analysis of comparable positions in Massachusetts and Connecticut. The Governor also shifts \$15,000 of contracted interpreter services and \$4,200 for the online interpreter referral service to available emergency and public communication access restricted receipts, which appears to be an allowable use of funds.

Other Staffing and Operations. The Commission requests \$0.4 million from general revenues for all other staffing and operations. This is \$7,459 more than enacted. Consistent with the revised request, the majority of the increase is \$4,200 for software maintenance agreements for which the enacted budget included no funding. The request is consistent with FY 2016 spending. Other adjustments are consistent with the revised FY 2017 request and FY 2016 spending.

The constrained request achieves \$5,714 of general revenue savings by eliminating the \$4,200 requested for software maintenance agreements and \$1,514 for office supplies and dues and fees. *The Governor recommends \$1,356 more than requested from general revenues to correctly budget benefits for existing staff, including statewide savings.*

Governor's Commission on Disabilities

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 372,689	\$ 398,885	\$ 388,112	\$ 406,794
Contracted Services	10,501	41,951	61,213	54,864
Subtotal	\$ 383,190	\$ 440,836	\$ 449,325	\$ 461,658
Other State Operations	25,119	33,970	42,664	41,318
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	277,114	303,214	298,468	339,214
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 685,423	\$ 778,020	\$ 790,457	\$ 842,190
Sources of Funds				
General Revenue	\$ 412,547	\$ 420,596	\$ 433,512	\$ 454,938
Federal Aid	228,750	298,064	305,000	343,542
Restricted Receipts	44,126	59,360	51,945	43,710
Other	-	-	-	-
Total	\$ 685,423	\$ 778,020	\$ 790,457	\$ 842,190
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Commission requests FY 2018 expenditures of \$0.8 million from all sources of funds and the authorized level of 4.0 full-time equivalent positions. This is \$0.1 million more than enacted, including \$20,965 from general revenues. *The Governor recommends \$0.8 million from all sources of funds, which is \$156,767 more than enacted and \$51,733 more than requested.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$381,131. The amount includes current service adjustments of \$1,726 and an 8.0 percent target reduction of \$33,142. The Commission's request is \$19,239 more than Budget Office current service adjustments, reflecting annualized funding for the Statewide Independent Living Program, which was inadvertently excluded from the target calculation.

FY 2018 Budget	Budget Office	Commission on Disabilities	Difference
FY 2017 Enacted	\$ 412,547	\$ 412,547	\$ -
Current Service Adjustments	1,726	20,965	19,239
Change to FY 2017 Enacted	\$ 1,726	\$ 20,965	\$ 19,239
FY 2018 Current Service/Unconstrained Request	\$ 414,273	\$ 433,512	\$ 19,239
Target Reduction/Initiatives	(33,142)	(52,955)	(19,813)
FY 2018 Constrained Target/Request	\$ 381,131	\$ 380,557	\$ (574)
Change to FY 2017 Enacted	\$ (31,416)	\$ (31,990)	\$ (574)

The constrained request is \$574 below the target level. The proposals to achieve the reductions are noted among the items described below where appropriate. *The recommendation is \$73,807 more than the target.*

Salaries and Benefits. The Commission requests \$0.4 million from all sources to fund its authorized 4.0 full-time equivalent positions. This is \$15,423 more than enacted, including \$6,536 from general revenues and \$8,887 from restricted receipts. The request includes \$9,127 to restore the loss of federal Help America Vote Act funds, and \$2,602 to upgrade a position that will now provide administrative support to the Independent Living Council and \$3,694 for updated benefits consistent with FY 2018 planning values.

The Commission's constrained budget includes a savings of \$49,586, including \$39,140 from general revenues for staff costs to be achieved by closing its office every Friday at 11:00 a.m., which would impact services that the Commission provides. This reduction may jeopardize the annual \$24,000 grant that the Commission receives from the New England Americans with Disabilities Act Technical Assistance Center. Three of four positions for the Commission are unclassified and all are non-union employees.

The Governor recommends \$18,682 more than the unconstrained request, including \$25,902 more from general revenues to primarily reflect statewide benefit savings, offset by other medical benefit adjustments. This also includes a shift of \$7,220 in costs from restricted receipts to general revenues. Subsequent to the budget submission, the Commission was notified that the grant from the New England Americans with Disabilities Act Technical Assistance Center would be \$4,000 less annually.

Statewide Independent Living Program. The request includes expenditures of \$0.3 million from federal funds and the required state match for the Statewide Independent Living Program. This is \$81,443 more than enacted, including \$76,250 from federal funds to reflect annualized operating costs for independent living services. The 2016 Assembly adopted legislation to designate the Governor's Commission on Disabilities as the state agency responsible for applying for and receiving federal funds for this program, effective October 1, 2016.

The State Plan for Independent Living Services is developed by the Statewide Independent Living Council in conjunction with the Ocean State Center for Independent Living. The current plan covers federal FY 2017 through FY 2019. It further outlines the scope of services to be provided by the Centers for Independent Living, as well as the goals for expanding independent living. *The Governor recommends \$38,542 more from federal funds to reflect additional funding that the Council received subsequent to the budget submission. General revenue expenditures are \$4,510 less than requested, primarily for clerical services based on updated meeting schedules.*

Fellowships. Consistent with the revised request, the Commission requests \$18,398, including \$14,718 from general revenues and \$3,670 from restricted receipts to fund five fellowships. This reflects full funding for four Mary Brennan Fellowships and one fellowship funded with restricted sources from the New England Americans with Disabilities Act Technical Assistance Center. 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 disabled individuals. This is \$3,680 less than enacted to reflect one fewer fellow. *The Governor recommends funding as requested.*

All Other Expenses. The Commission requests \$60,554 from all funds, including \$39,239 from general revenues for all other operating costs. This is \$11,848 more than enacted, including \$9,236 from general revenues and \$2,612 from restricted receipts. Of the increase, \$6,550 will be used for clerical services that the Commission will obtain to help manage the federal grant funds for the Statewide Independent Living Program. The request also includes adjustments for interpreter services and computer aided real-time transcription for individuals who are deaf or hard of hearing.

The Commission's constrained budget request excludes the share of general revenue funding that it receives for hosting the Council, since its staff would not be able to support the Council on a full-time basis. *The Governor recommends \$981 less than the unconstrained request, primarily to reflect available restricted receipts.*

Office of the Mental Health Advocate

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 529,115	\$ 532,391	\$ 538,166	\$ 535,404
Contracted Services	1,800	1,950	1,950	1,950
Subtotal	\$ 530,915	\$ 534,341	\$ 540,116	\$ 537,354
Other State Operations	11,094	11,709	12,229	11,709
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	3,223	1,000	500.00
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 542,009	\$ 549,273	\$ 553,345	\$ 549,563
Sources of Funds				
General Revenue	\$ 542,009	\$ 549,273	\$ 553,345	\$ 549,563
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 542,009	\$ 549,273	\$ 553,345	\$ 549,563
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Office of the Mental Health Advocate requests \$553,345 from general revenues, \$11,336 more than enacted to support the current authorized level of 4.0 positions and all other agency operations. *The Governor recommends \$7,554 more than enacted, which is \$3,782 less than requested and the current authorized level of full-time equivalent positions.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$504,300. The amount includes current service adjustments that increase expenses by \$6,143 and an 8.0 percent target reduction of \$43,852.

FY 2018 Budget	Budget Office	Mental Health Advocate	Difference
FY 2017 Enacted	\$ 542,009	\$ 542,009	\$ -
Current Service Adjustments	6,143	11,336	5,193
<i>Change to FY 2017 Enacted</i>	<i>\$ 6,143</i>	<i>\$ 11,336</i>	<i>\$ 5,193</i>
FY 2018 Current Service/Unconstrained Request	\$ 548,152	\$ 553,345	\$ 5,193
Target Reduction/Initiatives	(43,852)	(49,045)	(5,193)
FY 2018 Constrained Target/Request	\$ 504,300	\$ 504,300	\$ -
<i>Change to FY 2017 Enacted</i>	<i>\$ (37,709)</i>	<i>\$ (37,709)</i>	<i>\$ -</i>

The constrained budget submitted by the agency meets the target. The proposals to achieve the reduction are noted below where appropriate. *The Governor's recommendation is \$45,263 above the target.*

Salaries and Benefits. The Office requests \$538,166 for all other salary and benefit adjustments, \$9,051 more than enacted to fully fund 4.0 positions and reflect updated benefit rates.

The Office includes reducing a legal position from full to part-time for savings of \$46,650 to meet its constrained target. *The Governor recommends funding as requested, with the exception of \$2,762 of statewide benefit savings.*

Other Operations. The Office requests \$15,179 for other operations, which is \$2,285 more than enacted. The request also includes the enacted level of \$1,500 for psychiatric evaluations. The request adds \$1,000 for software upgrades or a new laptop, \$665 for staff training, \$150 for interpreter services, and \$300 for various office expenses, consistent with FY 2016 actual expenses.

The Office reduces operating expenses by \$2,395 to meet its constrained target, which is \$1,756 more than FY 2016 actual expenses. *The Governor recommends \$1,265 more than enacted and \$1,020 less than requested for other operations.*

Department of Elementary and Secondary Education

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
State Aid	\$ 867,155,767	\$ 867,379,021	\$ 913,223,560	\$ 909,227,919
School Housing Aid	80,000,000	80,000,000	80,000,000	80,000,000
Teachers' Retirement	99,076,582	99,076,582	100,659,985	100,659,986
RI School for the Deaf	7,425,855	7,350,322	7,450,142	7,451,090
Central Falls School District	39,100,578	39,100,578	39,351,304	39,351,304
Davies Career & Technical School	18,556,077	18,954,487	20,636,771	24,750,665
Met. Career & Tech. School	10,442,007	12,674,003	10,530,907	9,592,007
Administration	232,215,974	233,575,578	231,577,115	227,446,564
Total	\$ 1,353,972,840	\$ 1,358,110,571	\$ 1,403,429,784	\$ 1,398,479,535
Expenditures by Category				
Salaries and Benefits	\$ 40,514,193	\$ 39,509,524	\$ 40,840,142	\$ 40,139,916
Contracted Services	38,519,272	42,651,076	39,548,218	36,263,096
Subtotal	\$ 79,033,465	\$ 82,160,600	\$ 80,388,360	\$ 76,403,012
Other State Operations	12,029,334	7,495,303	8,650,627	6,820,450
Aid to Local Units of Government	1,216,668,394	1,164,230,364	1,210,331,000	1,207,967,482
Assistance, Grants, and Benefits	22,595,014	26,511,519	26,065,512	26,065,512
Capital	4,170,225	6,757,359	3,116,902	6,695,696
Capital Debt Service	-	-	-	-
Operating Transfers	19,476,408	70,955,426	74,877,383	74,527,383
Total	\$ 1,353,972,840	\$ 1,358,110,571	\$ 1,403,429,784	\$ 1,398,479,535
Sources of Funds				
General Revenue	\$ 1,112,847,293	\$ 1,112,937,359	\$ 1,166,742,359	\$ 1,158,617,116
Federal Aid	206,229,553	207,575,449	203,500,000	203,500,000
Restricted Receipts	30,186,994	30,330,048	29,454,419	29,454,419
Other	4,709,000	7,267,715	3,733,006	6,908,000
Total	\$ 1,353,972,840	\$ 1,358,110,571	\$ 1,403,429,784	\$ 1,398,479,535
FTE Authorization				
Administration	139.1	139.1	141.1	139.1
Davies	126.0	126.0	126.0	126.0
School for the Deaf	60.0	60.0	60.0	60.0
Total Authorized Positions	325.1	325.1	327.1	325.1

Summary. The Council requests \$1,403.4 million from all sources of funds, including \$1,166.7 million from general revenues. The request is \$49.5 million more than enacted from all sources, including \$53.9 million more from general revenues. The staffing request includes 327.1 full-time equivalent positions, 2.0 positions more than enacted. The Department also submitted a constrained request that totals \$1,166.1 million from general revenues which is \$0.6 million less than the unconstrained request.

The Governor recommends \$1,398.5 million from all funds, which is \$44.5 million more than enacted. The recommendation includes \$1,158.6 million from general revenues, which is \$45.8 million more than enacted and \$8.1 million less than requested. The Governor recommends 325.1 full-time equivalent positions, consistent with the enacted budget.

The Governor fully funds the seventh year of the funding formula and recommends making funding for English language learners permanent. Her recommendation excludes \$4.0 million requested in additional funding for three other categorical funds. There was an expectation that categorical funding would grow annually as the funding formula was phased-in; however, out-year estimates submitted with the Governor's FY 2018 budget assume level funding for all categories.

Target Issues. The Budget Office provided the Department with a general revenue target of \$1,153.3 million. The amount includes current service adjustments of \$42.1 million and an 8.0 percent target reduction, adjusted for certain exclusions, of \$1.6 million.

The constrained budget submitted by the agency is \$12.8 million above the target. The Department did not propose specific reductions in its constrained budget request. Rather, it proposed a 3.0 percent across-the-board reduction, with specific program adjustments to be identified during budget finalization. It should be noted that the 3.0 percent reduction is based on the FY 2018 current service level of \$1,154.9 million, which does not include requests for new funding. The unconstrained budget includes \$2.6 million for new programs and positions, \$3.0 million to renew one-time funding provided in FY 2017, \$0.5 million more than enacted for existing programs and \$0.5 million to restore turnover. *The Governor's budget is \$5.3 million more than the target.*

FY 2018 Budget	Budget Office	Elementary and Secondary Ed.	Difference
FY 2017 Enacted	\$ 1,112,847,293	\$ 1,112,847,293	\$ -
Current Service Adjustments	42,077,664	49,612,983	7,535,319
New Initiatives	-	4,282,083	4,282,083
<i>Change to FY 2017 Enacted</i>	<i>\$ 42,077,664</i>	<i>\$ 53,895,066</i>	<i>\$ 11,817,402</i>
FY 2018 Current Service/ Unconstrained Request	\$ 1,154,924,957	\$ 1,166,742,359	\$ 11,817,402
Target Reduction/Initiatives	(1,609,592)	(603,597)	1,005,995
FY 2018 Constrained Target/Request	\$ 1,153,315,365	\$ 1,166,138,762	\$ 12,823,397
<i>Change to FY 2017 Enacted</i>	<i>\$ 40,468,072</i>	<i>\$ 53,291,469</i>	<i>\$ 12,823,397</i>

Education Aid. The Council requests \$858.2 million for state aid to local school districts, excluding Central Falls School District and the Met School. This represents the seventh year of the education funding formula adopted by the 2010 Assembly. The request is \$43.1 million more than the enacted level based on updated data including enrollment and poverty. This is \$2.5 million more than the Budget Office current service calculation which assumed a lower core per pupil amount. *The Governor recommends funding consistent with the request.*

Group Home Aid. The Council requests \$4.1 million to fund beds for communities hosting group homes, which is \$0.7 million less than enacted. 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.

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 \$4,359 more than requested, based on the December 31 bed count.*

Central Falls School District. The Council requests \$39.4 million from general revenues to support the Central Falls school district for FY 2018, which is \$0.3 million more than enacted. The increase reflects year seven of the funding formula offset by 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 fourth year the Department has requested stabilization funding and it includes \$6.8 million in its request, which is \$2.0 million more than it received for FY 2017. The request also includes a \$1.7 million reduction representing year seven of the funding formula. This reduction reflects declining Central Falls enrollment primarily due to the growth of charter schools. *The Governor recommends funding as requested.*

Metropolitan Career and Technical School. The Council requests \$9.3 million for the Metropolitan Career and Technical School, which is consistent with the enacted budget. It reflects the impact of year seven of the funding formula distribution offset by a like increase from stabilization funds. 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 2016 Assembly enacted a new stabilization fund for state schools in order to mitigate some of the losses in funding from the implementation of the funding formula, which provided \$0.1 million to the Met School in FY 2017.

Using projected FY 2018 enrollments of 818 students and 563 free and reduced price lunch students, total formula aid is projected to be \$8.6 million, or approximately \$2.5 million less than FY 2017 enacted aid. This decrease will be transitioned over three years, the remainder of the ten-year transition plan. This decrease in formula aid is offset by \$0.6 million more than enacted from stabilization funding.

The Met is now financially responsible for the costs of transporting students to and from school each day from respective sending districts within the applicable transportation regions. Therefore, at the same time 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. In contrast, the state's other regional career and technical centers do not bear the cost of student transportation. Instead, sending districts remain responsible for transporting their students to their respective regional career and technical centers. The additional financial burden will come, in some form, at the expense of the current structure of the instructional delivery system at the Met School. *The Governor recommends funding as requested.*

School Choice Density Aid. The Council requests \$0.9 million to support districts who have at least 5.0 percent of their students enrolled in a charter or state school, which is \$0.6 million less than enacted. This reflects year two of a three-year program. For FY 2017, qualifying districts were provided \$175 per pupil for every student sent to a charter or state school. For FY 2018, the per pupil support is reduced to \$100 per student, consistent with the enacted legislation. *The Governor recommends funding as requested.*

Career and Technical Education Categorical Funding. The Council requests \$5.5 million for career and technical education categorical funding for FY 2018, which is \$1.0 million more than enacted. The request reflects year seven of the ten-year funding formula 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. For FY 2016, 24 schools and districts received career and technical categorical funding.

The Governor recommends the enacted level, which is \$1.0 million less than requested. It should be noted that there was an expectation that funding for this category would grow annually as the funding formula

was phased-in; however, out-year estimates submitted with the Governor's FY 2018 budget assume funding will remain constant.

Early Childhood Categorical Funding. The Council requests \$6.2 million for early childhood categorical funding as part of the education funding formula, which is \$1.1 million more than enacted. The request reflects year seven 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. For FY 2017, 21 organizations are receiving funds through a request for proposal process. This pilot program began in FY 2010 with \$700,000.

Additional funding is requested in order to fulfill its commitment to provide a non-federal match for the pre-kindergarten expansion grant that will span several years; the grant is discussed separately. The Department requests \$1.1 million from general revenues as a match for \$6.0 million from federal funds for the third year of the grant program.

The Governor recommends funding as requested. It should be noted that out-year estimates submitted with the Governor's FY 2018 budget assume funding will remain at this level.

High Cost Special Education. The Council requests \$6.5 million for high cost special education students as part of the education funding formula, which is \$2.0 million more than enacted. The request reflects year seven of the ten-year phase in period. The formula allows for additional resources for specific purposes. 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.

In 2016, the Governor proposed legislation to reduce the threshold for eligibility to four times the per pupil core instruction amount and student success factor amount, effective FY 2018. Absent additional resources provided for the change in eligibility, this could reduce the share of funding for some districts as the total is divided among more students. However, no data was collected or evaluated to determine the impact of the proposal. The Assembly did not concur with the proposed threshold changes and instead enacted legislation requiring the Department to collect data on those special education costs that exceed four times the per pupil amount in order to evaluate the impact of a change in threshold.

The Governor recommends the enacted level, which is \$2.0 million less than requested. It should be noted that there was an expectation that funding for this category would grow annually as the funding formula was phased-in; however, out-year estimates submitted with the Governor's FY 2018 budget assume funding will remain constant.

Transportation Categorical Funding. The Council requests \$7.4 million for transportation categorical funding, which is \$1.0 million more than enacted. The request reflects year seven of the ten-year funding formula phase in period. The funding formula allows for additional resources from the state for specific purposes. 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 districts 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.

The Governor recommends the enacted level, which is \$1.0 million less than requested. It should be noted that there was an expectation that funding for this category would grow annually as the funding formula was phased in; however, out-year estimates submitted with the Governor's FY 2018 budget assume funding will remain constant.

English Language Learners Categorical Funding. The Council requests \$2.5 million for English language learner categorical funding, which is consistent with the enacted budget. For FY 2017, the Governor proposed \$2.5 million for a new category of funding to support English language learners that are in the most intensive programs. The calculation is ten percent of the core instruction amount, adjusted for the state share ratio, for students based on a criteria determined by the Commissioner, up to a total of \$5.0 million for FY 2018 and beyond. This recommendation emerged from the Governor's funding formula working group. The 2016 Assembly provided \$2.5 million for FY 2017 only. The Department requests that funds be provided in FY 2018 as well. *The Governor recommends funding as requested. She also proposes legislation to make this category of funding permanent.*

School Housing Aid. The Council requests \$80.0 million from general revenues for school housing aid. This includes the enacted level of \$70.9 million from general revenues for the traditional program and \$9.1 million for the School Building Authority Capital Fund. Current law requires that the difference between the annual housing aid appropriation and actual aid go to the Fund.

The 2015 Assembly established a new School Building Authority office within the Department of Elementary and Secondary Education and School Building Authority Capital Fund to be administered by the Rhode Island Health and Educational Building Corporation and to be used for financial assistance and loans for school construction projects. The Council on Elementary and Secondary Education must approve projects based on the recommendations of the Authority and state shares of aid are consistent with the existing formula. *The Governor recommends funding as requested.*

Teacher Retirement. The Council requests \$100.7 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$1.6 million to the FY 2017 enacted level based on FY 2018 rates and a 2.0 percent growth in teacher payroll. Teachers contribute 8.75 percent of their salary, which is set in the General Laws. Employers pay the difference between the teacher's 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 2015 Assembly passed legislation to codify the settlement arising out of a challenge to the 2011 pension changes that reduced benefits. It also allows municipalities to re-amortize unfunded liability for four additional years; the state portion of teacher retirement costs cannot be re-amortized. *The Governor recommends funding as requested.*

Education Telecommunication Access Fund. The Council requests \$1.5 million, including \$0.4 million from general revenues and \$1.1 million from restricted receipts, to fund the education telecommunications access fund and related salaries and benefits for FY 2018. This is \$0.2 million more than enacted from restricted receipts. 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 telecommunications education 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, and is 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 four months of FY 2017, the Department estimates it will collect \$1.1 million from the monthly surcharge levied upon each residence and business telephone access line, which is consistent with the revised request. *The Governor recommends funding as requested.*

School Breakfast. The Council requests the enacted level of \$270,000 from general revenues for the administrative cost reimbursement to districts for the school breakfast program. State law mandates that all public schools provide a breakfast program and costs, other than transportation, associated with this program in excess of federal money for the meals, shall be borne exclusively by the state. *The Governor recommends funding as requested.*

Textbook Reimbursement. The Council requests the enacted level of \$240,000 from general revenues for the textbook loan program. The state currently 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 funding as requested.*

Statewide Student Transportation. The Council requests \$19.1 million from restricted receipts for the statewide transportation system, which is \$0.7 million less than enacted. Restricted receipts are collected from districts for transportation expenditures, less aid provided through the transportation categorical fund. For FY 2018, the Council's request includes a \$1.0 million increase in that aid fund, offsetting anticipated restricted receipts. The Department reports that it anticipates overall transportation expenditures to be consistent with FY 2017.

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 2010 Assembly created a restricted receipt account as part of the FY 2010 revised budget and exempted it from the 10.0 percent indirect cost recovery. 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 from restricted receipts as requested; however, the Department's request was linked to its request for \$1.0 million more from general revenues for transportation aid to districts. The Governor does not recommend the additional general revenues for that aid category.

Website Programming. The Council requests \$13,000 from general revenues for website programming, consistent with its revised request. In FY 2017, the Department received a complaint regarding the website's incompatibility with screen reading devices used by the visually impaired. In order to comply with federal Department of Education, Office of Civil Rights standards, the Department will upgrade its website to be compatible with screen readers and other assistive technologies. This will improve website access by individuals with disabilities. *Consistent with the FY 2017 revised recommendation, the Governor does not recommend funding.*

Legal Fees. The Council requests \$50,000 from general revenues for legal fees resulting from an unanticipated lawsuit, which is consistent with its revised request. On August 3, 2016, the Chariho Regional School District filed suit against the Department, alleging that the Department wrongfully opened advanced manufacturing, agricultural sciences, and cosmetology programs at Westerly High School. The District believes that the Department violated the terms of a previous agreement concerning the transferring of ownership of the school from the Department to the District. The District also argues that these programs

directly compete with its career and technical programs and affect its ability to financially support career and technical programs. As of November 2016, a hearing had not been scheduled. *Consistent with the FY 2017 revised recommendation, the Governor does not recommend funding.*

Teacher Evaluation and Assessment Tools (RTTT). Consistent with previous requests, the Council requests \$290,000 from general revenues for two initiatives previously funded through federal Race to the Top funds. This request is consistent with the Department's FY 2016 and FY 2017 requests; the Assembly did not provide the general revenue funding. The request includes \$140,000 to continue teacher evaluation support systems implemented with Race to the Top funds. The request includes funding for maintenance of the software that provides local education agencies with access to roster verification, schedules observations and keeps track of evaluation ratings. It 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 request also includes \$150,000 for the annual license fee to maintain student assessment tools, trainings and supports for teachers and local education agencies throughout the state. 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, which would impact the local education agencies.

The Department reports that it reprogrammed general revenues and federal funds to support these programs in FY 2017, with nearly half of related expenditures supported by federal Title VI funds. It also reports, however, that Title VI funds are not a sustainable funding source for this initiative as available resources continue to decline. The Department did not identify any other funding that it could set aside to maintain these systems. *The Governor does not recommend funding for this initiative.*

SAT/PSAT. The Council requests the enacted amount of \$0.5 million to continue to provide free SAT and PSAT testing to public high school students.

The 2016 Assembly approved the use of \$0.5 million from general revenues for FY 2017 for a new initiative to provide the PSAT and SAT for free to all Rhode Island public high school students. The initiative is intended to increase test participation to 100 percent by providing the test during the school day. During the 2015-2016 school year, 6,303 public high school students took the SAT, though it is not clear how many students received fee waivers. Meanwhile, 4,549 sophomores and 5,308 juniors took the PSAT. The Department anticipates that test participation could increase up to 40 percent during the 2016-2017 school year.

Under this initiative, sophomores may take the PSAT and juniors may take the SAT at no cost. The PSAT occurred on October 19, 2016 and a make-up day was held on November 2, 2016. Approximately 96.0 percent of eligible students ordered the test. The Department has not yet reported on test participation rates, though its estimates are over 90 percent. The SAT will be held on April 5, 2017, with a test ordering deadline of February 10.

The Governor recommends \$0.1 million more than requested from federal state assessment funds, discussed separately in this analysis. This reflects the Department's recent contract with the College Board for total testing costs of \$633,600, or \$133,600 more than anticipated. The contract became effective November 30, 2016. The Governor's FY 2017 recommendation includes the same increase from federal funds.

Principal Empowerment and Training. The Council requests the enacted amount of \$0.5 million from general revenues to support its principal empowerment and training initiative. The 2016 Assembly

appropriated \$0.5 million to this initiative for FY 2017. For FY 2017, the Department used \$350,000 to fund mini-grants for principals and their leadership teams to provide professional development and access to resources on school leadership. The application deadline for the mini-grants was November 18, 2016 with awards to be presented in December. The Department asked schools to submit a letter of intent in October, prior to the application deadline, and received requests for approximately \$1.5 million in funding. The Department used the remaining \$150,000 to fund a leadership fellow who would support local education agencies and schools design and implement leadership supports for current principals and teacher leadership models. *The Governor recommends funding as requested.*

Recovery High Schools. The Council requests the enacted amount of \$0.5 million from general revenues to continue to support the state's recovery high school. Recovery high schools are specifically designed for students recovering from a substance abuse disorder. The 2016 Assembly enacted legislation to provide state support to the state's recovery high school for FY 2017 only. The legislation also removed districts from the enrollment process and changed the local tuition payments from the local per pupil expenditures to the core instruction amount. *The Governor recommends funding as requested. A change to legislation is required to provide this support; however, no legislation was submitted with the budget.*

Computer Science for RI. The Council requests the enacted amount of \$260,000 from general revenues to continue the Computer Science for RI initiative. The 2016 Assembly appropriated \$260,000 from general revenues for FY 2017 for a new initiative to expand computer science courses for elementary and secondary education students in order to improve science, technology, engineering, and mathematics (STEM) education in Rhode Island Schools.

The Department of Elementary and Secondary Education has an agreement in place with Rhode Island College to pass program funds to the College's Office of Innovation, which is coordinating the initiative. Funding is used to support teacher professional development stipends and professional development programs provided by partnering organizations. Providers include Bootstrap, Code.org, Project Lead the Way, the Microsoft Philanthropies TEALS program, and the University of Rhode Island. Funds are also distributed to Brown University to support various computer programs throughout the state, as well as to fund an annual computer science summit. *The Governor recommends funding as requested.*

Advanced Coursework Network. The Council request \$1.3 million from multiple sources to support and grow its advanced coursework network initiative. This is \$0.7 million more than enacted, including \$1.0 million more from general revenues and \$0.3 million less from permanent school funds. The reduction in permanent school funds reflects the availability of only \$0.3 million per year. Additional permanent school funding was available to begin the program in FY 2017 as it was not used in FY 2016.

The 2016 Assembly provided \$0.6 million from permanent school funds for an advanced coursework network pilot program to support middle and high school students in accessing personalized advanced placement coursework opportunities. Funding is intended to support more than 1,000 students, with student participation projected to increase 50.0 percent for the 2017-2018 school year. It should be noted that the enacted budget for the Office of Postsecondary Commissioner also includes \$1.3 million for dual enrollment programs.

Students participating in the advanced coursework network were able to select from 120 credit-bearing courses in the fall of 2016, with an additional 85 courses anticipated in the spring of 2017. There are currently 32 members participating in the network. This includes public school districts, charter schools, and state schools, with courses offered by 14 provider organizations. Courses include advanced science and mathematics as well as Advanced Placement, world language, career-focused, and other Prepare RI courses that offer other both high-school and postsecondary credit (i.e., dual or concurrent enrollment). The network covers associated costs such as student tuition, fees, exams, textbooks, and other costs that may be incurred by participating in the network. However, parents and students are responsible for

coordinating the student's transportation to provider organizations. Provider organizations include other school districts, non-profits, and postsecondary institutions. Home schooled students are permitted to participate in the advanced coursework network but are responsible for their own course costs. *The Governor recommends total funding of \$550,000 for this initiative, including \$300,000 from permanent school funds and \$250,000 from general revenues. The recommendation is \$0.8 million less than requested from all funds; general revenue funding is \$250,000 more than enacted. The recommended funding level will limit the number of courses available to network members, student participation and the number of courses each student may take, which is one per semester in most districts. Current members will also be impacted as other schools join the network and more students compete to participate.*

Advanced Placement Tests. The Council requests \$0.9 million from general revenues to support a new initiative to provide free advanced placement tests to public high school students. Funding will work to promote advanced placement courses, and the corresponding credit-granting test, by removing the financial barrier that students face with the test fee. The program would allow high school students to receive three free advanced placement tests per year. The requested funding would support all test takers and is anticipated to increase test participation by 15.0 percent. In an agreement with the College Board, the Department will pay a discounted fee of \$53 per test, which is approximately half of the standard test fee of \$93.

Rhode Island public high school students enrolled in advanced placement courses who qualify for free or reduced lunch currently qualify for the Department's exam fee waiver program. During the 2016-2017 school year the Department received \$60,442 in federal funding to subsidize the cost of exams. Federal funding, combined with the College Board's current fee waiver of \$31 per test, allows qualifying students to take each exam for \$15. The grant funding, along with some carry over funds from the previous year, will cover a majority of the approximately 2,100 tests that low-income students will take. *The Governor does not recommend funding.*

GED Waiver. The Council requests \$65,000 from general revenues to support the Department's fee waiver program for General Education Development certification, or GED. The 2014 General Assembly enacted Rhode Island General Laws 16-63-18 requiring that the Department provide a fee waiver for the high school equivalency test for individuals with limited income who can prove a financial hardship. It also appropriated \$2.0 million to adult education programs. Since then, the General Assembly has continued to appropriate \$2.0 million towards adult scholarships and grants annually. The Department reports that 2,100 of the approximately 2,600 residents who take the GED annually qualify for the fee waiver. The additional funding is equivalent to 541 fee waivers for all four tests.

The GED is comprised of four subject tests, which cost \$30 each. Under the fee waiver program qualifying individuals are eligible to receive one waiver for each subject, or a total of \$120. Individuals apply for the fee waiver when registering online for the tests and must show documentation of limited income and pass practice tests. The testing center then awards waivers only for subject areas where the individual scores "likely to pass" on the practice test. Prior to the 2014-2015 academic year, the cost of the GED was \$55. *The Governor recommends funding as requested.*

Race to the Top - Early Learning Challenge. The Department does not request any federal funds from the Race to the Top Early Learning Challenge grant since the grant period ended on December 31, 2016. The enacted budget includes \$1.0 million for the final six months of the grant period. The Department's total award of \$50.0 million was spent from FY 2012 through December 2016. However, the request does include general revenue funding for activities that were previously funded through the grant; these are discussed separately.

This grant involved multiple human services agencies and the Department of Elementary and Secondary Education with funding allocated over four years beginning in FY 2012 and ending December 31, 2015,

though the state received a no-cost one year extension. The Department began a kindergarten entry profile survey through which districts can receive technical assistance and strategic planning support to build capacity and sustainability for high quality kindergarten curriculum, assessment and instruction practices. *The Governor excludes funding as requested.*

Kindergarten Entry Profile (RTTT). The Council requests \$0.2 million in new funding from general revenues for the kindergarten entry profile initiative previously funded through federal Race to the Top funds, consistent with previous requests. The kindergarten entry profile is an initiative that began when the Department received Race to the Top grant funding. With the original grant having ended, and the Race to the Top Early Learning Challenge grant expiring December 31, 2016, the Department is requesting general revenue funds to continue this initiative. The profile was developed with the purpose of guiding instruction and providing information regarding the status of children at the population level.

Using Race to the Top funds, the Department began a kindergarten entry profile survey through which districts can receive technical assistance and strategic planning support to build capacity and sustainability for high-quality kindergarten curricula, assessment and instruction practices. The Governor recommended \$350,000 from general revenues to continue the initiative for FY 2017, but the Assembly did not concur. The Department has not identified other funding that could be set aside to support this initiative. *The Governor recommends funding as requested.*

English Language Learners (1.0 FTE). The Council requests \$0.2 million from new general revenue funding and authorization for 1.0 new position to support English language learner education. This request includes \$0.1 million to support a new English language learner and world language leadership administrative position and \$60,000 to support technical assistance for local education agencies with the implementation of new state English language learner regulations. The funds will target specific training for school personnel in the implementation of the proposed regulations for English learners and support schools in the implementation of the new United States Department of Education toolkits for teaching English learners. It will augment state funds with Title III funds in order to complete the project.

The administrative position would help support school personnel in the implementation of proposed English learner regulations and support the growth of world language and dual language offerings in Rhode Island schools. The request assumes the position will be filled at the start of the fiscal year. Currently, the Director of Student Support Services and the Coordinator of English Language Learner Services are directing local education agencies on English language learner policy changes and the implementation of those changes.

The Department did not exclude this position as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. *The Governor recommends \$60,000 from general revenues to support the implementation of English language learner regulations. She also recommends the hiring of an English language learner/world language leadership position within the Department's existing authorized position cap and excludes the additional funding requested.*

Early Learning Specialist (1.0 FTE). The Council requests \$0.1 million and authorization for 1.0 full-time equivalent position to support the Department of Elementary and Secondary Education's early learning initiative. This would be its third position dedicated to this initiative. The Department was awarded a federal school expansion grant in 2015 to assist the state in expanding high quality pre-kindergarten. However, the grant does not provide funding for infrastructure to support pre-kindergarten operations and expansion. The request assumes the position will be filled at the start of the fiscal year.

The Department did not exclude this position as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request.

The Governor recommends the hiring of this position within the Department's existing authorized position cap and excludes the additional funding requested.

Educator Excellence Fellows. The Department requests \$0.3 million from general revenues for a new program which would bring two master teachers into one-year fellowships at the Department of Elementary and Secondary Education's Office of Educator Quality, including one leadership fellow and one professional learning fellow. The Department currently has one leadership fellow supported through the principal empowerment and training initiative. The request will reimburse districts for payroll costs while the educators are completing their fellowships with the Department.

The Department did not exclude this initiative as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. *The Governor does not recommend funding.*

Career Readiness Fellows. The Council requests \$0.1 million from general revenues for a program initially supported by New Skills for Youth grant funding, which would bring 20 teachers into a summer fellowship at the Department of Elementary and Secondary Education. In March 2016, the Department received \$100,000 from phase one grant funds to support a needs assessment of its career readiness preparation system and create a three-year plan for transforming career education. It used a portion of the grant award to fund four career readiness fellows for the summer of 2016.

In October 2016, the Department submitted its application for phase two funding and it is eligible for up to \$2.0 million over three years to support its career readiness initiative. Phase two funding awards will be announced in December 2016; however, the Department would like to continue its career readiness initiatives if grant funds are not awarded. The request would support 20 summer fellows in 2017. Fellows would represent all grade levels and subjects, and work to create short and long-term career readiness policy.

The Department did not exclude this initiative as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. *The Governor does not recommend funding.*

Instructional Excellence Fellows. The Council requests \$0.5 million from general revenues for a new program which would bring four master teachers into two-year fellowships at the Department of Elementary and Secondary Education. These competitive fellowships will leverage and highlight some of Rhode Island's strongest teachers by creating a statewide cohort focused on promoting best-in-class instructional strategies in the core content areas. During the fellowship years, the cohort will have the opportunity to access professional development in areas related to their craft and they will be deployed throughout the state to support the needs of Rhode Island teachers and leaders. The funding requested would reimburse districts for year one of the fellowship, with year two funding to be requested in FY 2019.

The Department did not exclude this initiative as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. *The Governor does not recommend funding.*

Nutrition Grants. The Council requests authorization to spend \$57.8 million from federal nutrition program funds. This is \$3.3 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 Council requests authorization to spend \$45.4 million, or \$0.6 million more than enacted, from federal special education funds to reflect updated awards, as well as a new award

for research in special education. 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 Council requests authorization to spend \$53.6 million from federal Title I funds. This is \$3.0 million less than enacted and consistent with the revised request, reflecting updated anticipated awards and a decrease in available carry forward funds. 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.*

State Assessments. The Council requests authorization to spend \$3.5 million from federal funds for state assessments, which is \$0.4 million or 9.1 percent less than enacted and largely consistent with the revised request, reflecting anticipated expenditures and the end of one grant. 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. *Excluding the additional \$0.1 million for PSAT and SAT testing expenses, the Governor recommends \$0.3 million more than requested from federal state assessment funds. The increase is consistent with a request made by the Department in December, and reflects available carryforward funding from prior years.*

Adult Education Grants. The Council requests \$5.7 million for adult education grants from multiple sources, including \$3.5 million from Human Resource Investment Council funds. This is \$0.2 million more than enacted to reflect updated federal awards. 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 about one quarter of the program participants for GED preparation services, half for English language learner services, and the remaining 25 percent for low-level literacy services. *The Governor recommends funding as requested.*

Early Childhood/Preschool. The Council requests authorization to spend \$6.6 million from federal funds for early childhood and preschool programs, which is \$0.2 million more than enacted. The request includes \$0.5 million from an annual, on-going award in addition to \$6.0 million from a new, multi-year award for preschools. The new preschool development grant will support the state in expanding high-quality preschool programs in high-need communities. Rhode Island is one of six states to receive this award, which is a follow-up to the Race to the Top Early Learning Challenge grant. Total grant funding of \$19.0 million is expected through FY 2019.

The preschool development grant is subject to a match of non-federal funds, of which early childhood categorical funds qualify. For FY 2018, an additional \$1.1 million of categorical funding is requested in order to fulfill the match commitment. As outlined in its grant application, the Department indicated that it would increase its annual budget request by \$1.0 million to \$1.8 million over the grant period of FY 2016 through FY 2019 to expand its pre-kindergarten initiative. If the Department does not obtain or expend the matching funds that it has committed to, it may be subject to enforcement proceedings. These include withholding of federal funds or denial of a continuation award. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Council's request includes \$18.8 million for the Department's other 139.1 administrative positions. This is \$0.4 million less than enacted, including \$0.6 million more from general revenues to reflect current service adjustments and to restore \$0.5 million in turnover savings, which

is approximately 3.8 full-time equivalent positions; the enacted budget also restored \$0.2 million in turnover savings. The Department has not specifically indicated which positions it would like to restore with this additional funding. The request also includes \$1.0 million less from federal funding, reflecting the end of multiple grants and other expenditure adjustments.

The Council did not propose any specific reductions as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. A 3.0 percent reduction to all other salaries and benefits is approximately \$0.4 million from general revenues, or 3.0 full-time equivalent positions. The Department had 26.3 vacancies as of the pay period ending January 7, 2017. *The Governor recommends \$0.4 million less from general revenues than the unconstrained request, reflecting \$0.5 million in savings from additional turnover and statewide benefit adjustments. This savings is offset by \$0.1 million for staffing expenses for a position in the Office of the Governor, consistent with the Governor's revised FY 2017 recommendation.*

Other Grants and Programming. The Council requests \$35.1 million from all funds for all other grants and programming, including \$6.8 million from general revenues. Changes from the enacted budget include adjustments in state, federal and restricted receipt expenditures producing a total decrease of \$1.8 million, including an increase of \$25,040 from general revenues for property insurance and other expenditures. Federal fund changes reflect actual grant awards and the end of several grants. The request includes expenditures of \$4.8 million from general revenues, \$28.0 million from federal funds and \$0.3 million from restricted receipts.

The Department did not propose any specific reductions as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. A 3.0 percent reduction to all other grants and programming is approximately \$30,784 from general revenues.

The Governor recommends general revenues nearly consistent with the constrained request. She also recommends \$0.4 million less from federal funds, reflecting a change to anticipated federal charter school grant funding, consistent with a request made by the Department after its budget request was submitted. It should be noted that this grant expired in August 2016 and it was not awarded funding for FY 2017; however, the Department anticipates applying for this competitive grant again for FY 2018.

Met School Capital. The Council requests \$1.2 million from Rhode Island Capital Plan funds for asset protection and HVAC projects at the Metropolitan Career and Technical School, as well as a new project at the Newport campus. This is \$88,900 more than enacted largely to reflect the completion of the HVAC project in FY 2017 and a new project at the Newport campus beginning in FY 2018. This is consistent with the capital request; a detailed description of these projects is included in the Capital Budget section of the publication. *The Governor recommends \$0.9 million less than requested from Rhode Island Capital Plan funds.*

Other Capital. The Council removes the \$2.3 million enacted from Rhode Island Capital Plan funds for all other capital projects, which reflects the conclusion of work at the Warwick and Woonsocket career and technical centers. The state made significant repairs and renovations at the career and technical centers for the districts to consider taking ownership of the facilities. Ownership of both facilities was transferred to their respective districts in August 2016. *The Governor excludes funding as requested. A detailed description of these projects is included in the Capital Budget section of the publication.*

Davies Career and Technical School

Funding Formula. The Council requests \$18.5 million from all sources, including \$13.4 million from general revenues to fund Davies Career and Technical School for FY 2018, the seventh year of the funding

formula. This is \$0.5 million more than enacted including \$0.8 million more from general revenues, \$0.2 million less from restricted receipts and \$2,427 less from federal sources. Beginning with FY 2012, Davies falls under the education funding formula and its state aid is determined by the funding formula calculation like any other local education agency. Using enrollments of 875 and free and reduced price lunch students of 570, total formula aid is projected to be \$10.3 million or approximately \$2.9 million less than FY 2017 enacted aid. This decrease will be transitioned over three years, the remainder of the ten-year transition plan. The decrease in formula aid is offset by a \$1.5 million increase in stabilization funding.

The 2016 Assembly enacted a new stabilization fund for state schools in order to mitigate some of the losses in funding from the implementation of the funding formula, providing \$1.5 million in additional funding for Davies in FY 2017. *The Governor recommends funding consistent with the request.*

Capital. The Council's request includes \$1.5 million from Rhode Island Capital Plan funds for capital projects at the Davies Career and Technical School. This is \$1.5 million more than enacted for general asset protection and HVAC projects, along with one new project. *The Governor recommends \$4.1 million more than requested from Rhode Island Capital Plan funds, primarily reflecting a new project to support the School's advanced manufacturing program. A detailed description of these projects is included in the Capital Budget section of the publication.*

Rhode Island School for the Deaf

Salaries and Benefits. The Council's budget request contains \$6.3 million in salary and benefit expenditures for 60.0 full-time equivalent positions at the school, which is \$183 less than enacted. The request does not appear to include benefit rate adjustments as directed by the Budget Office.

The Department did not propose any specific reductions as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. A 3.0 percent reduction to Rhode Island School for the Deaf salaries and benefits is approximately \$167,091 from general revenues, or 1.6 full time equivalent positions. *The Governor recommends \$20,608 more than requested from general revenues, reflecting adjustments to benefit rates.*

Other Operations. The Council requests \$1.1 million for all other operating expenditures for the School for the Deaf, including \$0.7 million from general revenues. The request is \$24,470 more than enacted including \$32,470 more from general revenues, offset by \$8,000 less from restricted receipts. The Council's request includes \$0.5 million for specialized care contracted services, such as speech pathologists, behavior specialists and personal care attendants, which is approximately \$42,000 more than enacted to reflect anticipated expenditures. All of the general revenue increase is for contracted professional services, including medical and educational services.

The Department did not propose any specific reductions as part of its constrained request. Rather, it proposed a 3.0 percent across-the-board reduction to nonstatutory, noncontractual portions of its current service request. A 3.0 percent reduction to Rhode Island School for the Deaf operations is approximately \$14,742 from general revenues. *The Governor recommends \$19,660 less than requested for utilities, reflecting a new natural gas contract.*

Public Higher Education

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Office of Postsecondary Comm.	\$ 30,364,179	\$ 34,449,175	\$ 30,544,016	\$ 50,200,013
University of Rhode Island	777,314,056	763,839,937	775,282,463	775,695,493
Rhode Island College	186,651,317	182,086,131	195,438,919	201,333,600
Community College of RI	166,951,651	156,893,021	160,003,261	160,769,902
Total	\$ 1,161,281,203	\$ 1,137,268,264	\$ 1,161,268,659	\$ 1,187,999,008
Expenditures by Category				
Salaries and Benefits	\$ 495,299,473	\$ 486,683,645	\$ 517,020,197	\$ 506,887,073
Contracted Services	33,693,805	28,359,496	28,638,070	28,338,070
Subtotal	\$ 528,993,278	\$ 515,043,141	\$ 545,658,267	\$ 535,225,143
Other State Operations	218,649,084	225,080,483	215,430,543	229,257,294
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	310,931,107	308,219,245	311,651,720	322,451,720
Capital	56,958,833	42,317,006	44,220,256	43,215,979
Capital Debt Service	45,748,901	46,608,389	44,057,873	57,598,872
Operating Transfers	-	-	250,000	250,000
Total	\$ 1,161,281,203	\$ 1,137,268,264	\$ 1,161,268,659	\$ 1,187,999,008
Sources of Funds				
General Revenue	\$ 196,357,528	\$ 198,610,423	\$ 207,965,622	\$ 225,782,593
Federal Aid	14,308,847	16,738,854	13,933,669	13,933,669
Restricted Receipts	1,022,720	1,517,568	2,173,990	2,173,990
Other	949,592,108	920,401,419	937,195,378	946,108,756
Total	\$ 1,161,281,203	\$ 1,137,268,264	\$ 1,161,268,659	\$ 1,187,999,008
Uses of Funds				
Unrestricted Use Funds	\$ 673,735,014	\$ 665,278,847	\$ 693,982,991	\$ 725,259,090
Restricted Use Funds	487,546,189	471,989,417	467,285,668	462,739,918
Total	\$ 1,161,281,203	\$ 1,137,268,264	\$ 1,161,268,659	\$ 1,187,999,008
FTE Authorization	3,551.0	3,551.0	3,586.0	3,561.0
<i>Limited to Third Party Funds</i>	745.8	745.8	734.8	745.8
Total Authorized Positions	4,296.8	4,296.8	4,320.8	4,306.8

Summary. The Council on Postsecondary Education requests \$1,161.3 million from all funds, including \$208.0 million from general revenues. This is \$12,544 less from all sources than enacted, including \$11.6 million more in general revenue support, \$8.6 million more from other unrestricted sources and \$20.3 million less from restricted sources. The request includes \$694.0 million from unrestricted use funds and \$467.3 million from restricted use funds. The unrestricted request represents 5.0 percent growth over FY 2017 revised expenditure projections; the restricted request represents 0.3 percent growth.

The Governor recommends \$1,188.0 million from all sources, which is \$26.7 million more than enacted and requested. She recommends \$225.8 million from general revenues, which is \$29.4 million more than enacted and \$17.8 million more than requested. Her recommendation also includes \$22.1 million more than enacted from other unrestricted sources and \$24.8 million less from restricted sources.

Target Issues. The Council submitted a current service budget in addition to the target budget required by the Budget Office. The Budget Office provided higher education with a general revenue target of \$189.8 million. The amount includes current service adjustments of \$7.7 million and an 8.0 percent target reduction, adjusted for certain exclusions, of \$14.3 million.

The constrained budget submitted by the agency is \$4.6 million below 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 \$36.0 million above the target.

FY 2018 Budget	Budget Office	Higher Education	Difference
FY 2017 Enacted	\$ 196,357,528	\$ 196,357,528	\$ -
Current Service Adjustments	7,747,846	7,747,846	-
New Initiatives	-	3,860,248	3,860,248
Change to FY 2017 Enacted	\$ 7,747,846	\$ 11,608,094	\$ 3,860,248
FY 2018 Current Service/Unconstrained Request	\$ 204,105,374	\$ 207,965,622	\$ 3,860,248
Target Reduction/Initiatives	(14,298,899)	(22,710,936)	(8,412,037)
FY 2018 Constrained Target/Request	\$ 189,806,475	\$ 185,254,686	\$ (4,551,789)
Change to FY 2017 Enacted	\$ (6,551,053)	\$ (11,102,842)	\$ (4,551,789)

Full-Time Equivalent Positions. The FY 2018 request includes authority for 4,320.8 full-time equivalent positions, provided that 734.8 of those positions would be limited to third-party sources. This is 24.0 more than the enacted level, including 13.0 more positions at the University and 11.0 positions at the 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 Postsecondary Commissioner and indicates how many positions are reserved for third-party funded activities.

The Governor recommends 4,306.8 full-time equivalent positions, which is 10.0 more than enacted and 14.0 less than requested. This reflects shifting 10.0 positions for administration of the new Nursing Education Center from the University and Rhode Island College to the Office of Postsecondary Commissioner. Her recommendation does not include an associated decrease of authorized positions at the University or the College, which would provide each institution with 5.0 more positions than enacted. She recommends the enacted level of 745.8 third-party funded positions.

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 Council 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 Council specifies as requested, staff analysis starts from the allocations.

The Governor recommends \$24.0 million less than enacted from all sources, including \$2.3 million more from general revenues. This is \$10.2 million more than requested, including \$2.9 million more from general revenues, of which \$2.2 million reflects additional general obligation bond debt service, \$0.7 million represents additional funding to correct the mistaken exclusion of funding for the Westerly Higher Education and Job Skills Center in the Office's budget request and \$0.1 million reflects charging staffing costs for a 0.5 full-time equivalent position in the Office of the Governor to the Office of Postsecondary Commissioner. She also provides \$5.9 million more from Rhode Island Capital Plan funds to reflect her capital budget recommendations.

Higher Education Funding. Expenditures in Public Higher Education increased 44.2 percent during the period FY 2008 through FY 2017, which is an annual rate of 4.4 percent. Public Higher Education would grow 48.6 percent if the Council's FY 2018 request were funded, which is an annual rate of 4.9 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.

The Governor's recommendation represents 63.8 percent growth during the FY 2007 through FY 2018 period, which is an annual rate of 5.8 percent.

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.

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 latter are the indirect costs added to research grants to reimburse the college or university for the items that must exist for research to occur, such as an accounting system, facilities, and so forth. The unrestricted budget is similar to the general revenue budget of other agencies and departments. The Council's unrestricted budget includes \$694.0 million, of which \$208.0 million is from general revenues. The general revenue portion is \$11.6 million more than the FY 2017 enacted budget; other unrestricted sources increase \$8.6 million.

The Governor recommends \$725.3 million from unrestricted sources, which is \$51.5 million more than enacted and \$31.3 million more than requested. General revenues are \$29.4 million more than enacted and \$17.8 million more than requested. The primary drivers of the increase above the request include \$12.2 million more for general obligation bond debt service, \$5.0 million for lease and debt service costs for the Nursing Education Center, and \$10.5 million more for unrestricted source student aid to reflect additional funding for the Dual Enrollment program and funding for the first year of the Governor's proposed Rhode Island Promise Scholarship program.

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 Council requests restricted budgets of \$467.3 million for FY 2018. This is a decrease of \$20.3 million or 4.2 percent to the enacted FY 2017 level. Compared to the revised allocation, the request is \$1.3 million more. *The Governor recommends \$462.7 million from restricted sources, which is \$24.8 million less than enacted and \$4.5 million less than requested, primarily to reflect adjustments to spending from Rhode Island Capital Plan funds.*

Salaries and Benefits. The Council requests \$517.0 million for salary and benefit expenditures, of which \$416.9 million is from unrestricted sources and \$100.1 million is from restricted sources. The request represents a \$19.3 million or 4.9 percent increase from the FY 2017 enacted level in unrestricted funding, and a \$2.4 million or 2.5 percent increase in restricted funding. Compared to the institutions' FY 2017 revised projections, the unrestricted increase is \$19.9 million or 5.0 percent more and restricted funding decreases by \$0.6 million or 0.6 percent. The Council's request includes benefit adjustments consistent with Budget Office planning values, retiree health rate increases, funding for 24.0 new unrestricted positions, as well as additional funding for cost-of-living adjustments resulting from contract negotiations with faculty, staff and adjunct faculty unions.

The Governor recommends \$11.6 million more than enacted and \$10.1 million less than requested for salaries and benefits. Adjusted for the apparent misclassification of \$11.7 million of salary and benefit costs for seasonal and temporary employees at the University, the Governor's recommendation is \$1.5 million more than requested.

Contracted Services. The Council requests \$28.6 million for contracted services for FY 2018, of which \$15.2 million is from unrestricted sources and \$13.4 million is from restricted sources. This is \$5.1 million less than the enacted budget and \$0.3 million more than the FY 2017 revised allocation. Compared to the revised allocation, unrestricted sources increase \$0.4 million or 2.6 percent and restricted sources decrease \$0.1 million or 0.8 percent. *The Governor recommends \$5.4 million less than enacted and \$0.3 million less than requested.*

Operating Expenses. The Council requests \$215.4 million for operating expenditures in FY 2018, of which \$102.0 million is from unrestricted sources and \$113.5 million is from restricted sources. This is \$3.2 million less than the FY 2017 enacted budget. Compared to the institutions' FY 2017 revised projections, the unrestricted increase is \$4.2 million or 4.3 percent and the restricted budget decreases by \$2.0 million or 1.7 percent. *The Governor recommends \$10.6 million more than enacted and \$13.8 million more than requested. Adjusted for the apparent misclassification of \$11.7 million of salary and benefit costs for seasonal and temporary employees at the University, the Governor's recommendation is \$2.1 million more than requested.*

Grants and Scholarships. The Council requests \$311.7 million for total grants and scholarships expenditures for FY 2018, an increase of \$0.7 million or 0.2 percent to the enacted FY 2017 budget and \$4.0 million or 1.3 percent to the revised allocation. The unrestricted budget accounts for \$130.6 million, an increase of \$6.6 million or 5.3 percent to the revised allocation. The restricted budget includes \$181.0 million, a 1.4 percent decrease of \$2.6 million to the revised allocation.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 29.5 percent of the tuition and mandatory fees based on the Council's current service budget. Revised FY 2017 estimates are for 29.4 percent. In FY 2016, that share was 28.9 percent. External student aid also includes the Ford Direct Student Loan and Parent Loan programs at the University. The University requests \$99.0 million related to the Ford Loans for FY 2018.

The Council's request also includes grant programs managed by the Office of Postsecondary Commissioner that were established in the FY 2016 enacted budget as part of Article 7. The Dual Enrollment Program and the Last Dollar Scholarship Program replaced the state's need-based scholarship and grant program with more flexible state grant programs. Total funding includes \$1.3 million from tuition savings fees for the Dual Enrollment Program and \$10.1 million from tuition savings fees and guaranty agency reserve funds for the Last Dollar Scholarship Program, consistent with the enacted budget. *The Governor recommends \$11.5 million more than enacted, of which \$0.5 million from general revenues is related to additional funding for the Dual Enrollment program.*

The Governor's budget adds \$10.0 million from general revenues for the first year of funding for a new Rhode Island Promise Scholarship program. She includes language in Article 3 of 2017-H 5175 to establish this program, which is intended to cover two years of tuition and fee costs at one of the three public postsecondary institutions for all qualifying Rhode Island residents. The Rhode Island Promise Scholarship is intended to be a "last dollar" scholarship, meaning that after students exhaust all other sources of student aid the program would cover the remainder of their tuition bill. Room and board and other non-mandatory fees would not be covered. The funding recommendation includes \$6.0 million for "preparedness grants" to be distributed to the institutions in order to support the development of programs such as counseling and advising or other related activities and \$1.0 million for use by the Office to implement data systems for the program, advertise and market the new scholarship, and to conduct outreach and workshops to encourage students to complete the Free Application for Federal Student Aid. The remaining \$3.0 million would support the first year of direct aid for students attending the Community College. The program would require a four-year phase-in, with the full cost of the program projected to be \$30.0 million in FY 2021 and after.

Capital. The Council requests \$44.2 million in total expenditures for capital outlays and improvements for FY 2018. The request includes \$38.8 million from Rhode Island Capital Plan funds of which \$19.4 million is for asset protection. It should be noted that the Rhode Island Capital Plan funds request is not consistent with the Council's five-year capital plan request. *The Governor recommends \$13.7 million less 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 Council requests \$44.1 million for total debt service expenses for FY 2018. Of this total, \$25.7 million is unrestricted. The unrestricted request is \$0.6 million more than the revised allocation and \$0.5 million less than enacted. General revenues are used to support general obligation bond debt service. *The Governor recommends \$57.6 million, which is \$11.8 million more than enacted, primarily reflecting the issuance of new debt for projects at the University and the College.*

Enrollment. FY 2018 enrollment, based on revised estimates, would be 30,493 full-time equivalent students, which is 2.6 percent less than the enacted FY 2017 level. The Council's FY 2017 revised budget estimates an increase of 1.7 percent at the University that reflects 253 more students overall and a change in the mix of in-state and out-of-state students. The College projects revised FY 2017 enrollment of 6,947, which is 59 or 0.9 percent more than the enrollment assumptions in the enacted budget. The Community College's revised budget projects a 7.5 percent decrease or 736 fewer students compared to enrollment assumptions in the enacted budget. *The Governor's recommendation appears to reflect the Council's enrollment projections.*

Tuition and Fees. The Council's FY 2018 request includes \$439.9 million from tuition and fees. This represents a \$3.8 million, or 0.9 percent increase in revenues over the FY 2017 level and is \$20.5 million or 4.9 percent more than the revised allocation. The Council on Postsecondary Education approved tuition rates for FY 2018 at its November 2016 meeting. These include tuition and mandatory fee increases of 7.0 percent for the University, 6.9 percent for the College, and 7.0 percent for the Community College.

The three institutions proposed further tuition rate increases to offset the general revenue reduction contained in the constrained budget instead of making expenditure reductions. The Council would have to approve new rates consistent with the constrained request. At its November 2016 meeting, it voted to reserve "the right to readjust tuition and fees as needed upon notification of the Governor's recommendation and, later, upon the action of the legislature." *The Governor's budget assumes tuition and fee increases consistent with those approved by the Council.*

Office of Postsecondary Commissioner

Office of Postsecondary Commissioner	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Governor
Expenditures by Category				
Salaries and Benefits	\$ 3,056,495	\$ 3,458,927	\$ 3,664,573	\$ 4,754,732
Contracted Services	4,527,500	4,647,603	5,200,000	4,900,000
Subtotal	\$ 7,583,995	\$ 8,106,530	\$ 8,864,573	\$ 9,654,732
Other State Operating	4,280,213	5,623,024	4,786,822	8,200,290
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	15,741,637	17,961,287	15,384,287	25,884,287
Capital	2,758,334	2,758,334	1,258,334	4,810,704
Capital Debt Service	-	-	-	1,400,000
Operating Transfers	-	-	250,000	250,000
Total	\$ 30,364,179	\$ 34,449,175	\$ 30,544,016	\$ 50,200,013
Sources of Funds				
General Revenue	\$ 6,298,407	\$ 6,351,882	\$ 7,725,006	\$ 22,328,459
Tuition and Fees	-	1,106,666	-	5,052,544
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ 6,298,407	\$ 7,458,548	\$ 7,725,006	\$ 27,381,003
Restricted	24,065,772	26,990,627	22,819,010	22,819,010
All Sources	\$ 30,364,179	\$ 34,449,175	\$ 30,544,016	\$ 50,200,013
FTE Authorizations	26.0	26.0	26.0	36.0
<i>Third-Party Funded Positions</i>	1.0	1.0	1.0	1.0
Total Positions	27.0	27.0	27.0	37.0

Summary. The Council requests \$30.5 million from all sources and 27.0 full-time equivalent positions for the Office of Postsecondary Commissioner and the Division of Higher Education Assistance in FY 2018, including \$7.7 million from general revenues, \$13.9 million from federal funds, \$7.4 million from tuition savings fees, and \$1.5 million from restricted receipts. This is \$0.2 million more than enacted, including \$1.4 million more from general revenues and \$1.2 million less from restricted sources. The staffing request is consistent with the enacted authorization.

The Governor recommends \$50.2 million, which is \$19.8 million more than enacted and \$19.7 million more than requested. The recommendation includes \$22.3 million from general revenues, which is \$16.0 million more than enacted and \$14.6 million more than requested. She recommends 37.0 full-time equivalent positions, 10.0 more than enacted to reflect the shift of administrative staff for the Nursing Education Center from the University and the College.

Unrestricted Budget. The unrestricted budget includes \$7.7 million from general revenues, which is \$1.4 million more than enacted and \$2.1 million more than the revised request. This reflects the shifting of some staffing costs from federal funds to general revenues, funding for a long-term lease for the Westerly Higher Education and Job Skills Center, a job classification study, and funding for a number of miscellaneous items like general legal services and building repairs. The staffing request is consistent with the enacted authorization. As of the pay period ending November 26, 2016, the Office had 4.2 vacant positions out of 27.0 authorized positions.

The Governor recommends \$27.4 million in unrestricted expenditures, which is \$21.1 million more than enacted and \$19.7 million more than requested. The recommendation includes \$22.3 million from general revenues, \$16.0 million more than enacted and \$14.6 million more than requested. This primarily reflects \$10.0 million for the proposed Rhode Island Promise Scholarship program and \$5.0 million for costs associated with the new Rhode Island Nursing Education Center, including \$1.4 million for debt service on funds borrowed to furnish and equip the facility and \$3.6 million for the first year of lease payments.

Full-Time Equivalent Positions. The Office requests the enacted authorization of 27.0 full-time equivalent positions. *The Governor recommends 37.0 full-time equivalent positions to reflect the shift of administrative staff of the new Nursing Education Center from the University and College to the Office.*

Office of Postsecondary Commissioner Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (675,000)	\$ 1,160,141	\$ 1,835,141
Staffing Cost Shift to General Revenues	399,767	-	(399,767)
Nursing Education Center Operations	-	3,945,878	3,945,878
Nursing Education Center Lease	-	3,552,370	3,552,370
Nursing Education Center Debt Service	-	1,400,000	1,400,000
Westerly Higher Ed. and Job Skills Center	1,175,000	500,000	(675,000)
Other Salaries and Benefits	80,332	78,392	(1,940)
Shepard Building	-	-	-
Job Classification Study	300,000	-	(300,000)
College Crusade Support	-	-	-
Other Unrestricted Source Grants	-	-	-
Other Office Operations	146,500	(54,185)	(200,685)
RI Promise Scholarship	-	10,000,000	10,000,000
Dual Enrollment Program	-	500,000	500,000
Total	\$ 1,426,599	\$ 21,082,596	\$ 19,655,997

Current Year Revisions. The revised budget includes \$5.6 million from general revenues, \$675,000 less than the enacted budget to reflect a reduction of funding for a long-term lease for the new Westerly Higher Education and Job Skills Center. The Office indicates that this funding was mistakenly reduced. The remainder of the revised request is consistent with the enacted budget.

The Governor recommends \$1.8 million more than requested, including \$0.7 million from general revenues. This includes \$675,000 to correct the mistaken exclusion of funding for the center as well as charging \$53,475 of staffing costs for a 0.5 full-time equivalent Education Policy Advisor in the Office of the Governor to the Office of Postsecondary Commissioner.

The recommendation also adds \$1.1 million from University and College funds for staffing costs and other operating expenses for the Nursing Education Center in Providence in the Office's budget. The enacted budget includes \$3.7 million in the College's and University's budgets for this purpose. The Governor's recommendation also continues to show the funding in the institutions' revised budgets as well. This double counts these expenditures, similar to operating transfers in other budgets.

Office of Postsecondary Commissioner

Staffing Cost Shift to General Revenues. The unrestricted budget request includes \$0.4 million to shift staffing costs for 3.0 full-time positions within the Division of Higher Education Assistance from federal guaranty agency reserve funds to general revenues. The Division was established within the Office of Postsecondary Commissioner to replace the Higher Education Assistance Authority when that agency was dissolved effective June 30, 2015. The positions for which this cost shift is requested include 1.0

Programmer/Analyst Manager, 1.0 Systems Support Technician II, and 1.0 Technical Support Staff Specialist III. The Office indicates that these positions will continue to do some work related to Division operations such as providing technical oversight for the Last Dollar Scholarship program and other federal grant application systems; however, they will also perform maintenance and security monitoring for a number of systems related to operations of the Office of Postsecondary Commissioner. These positions are also responsible for general maintenance and technical support for all hardware and software systems used by both Division and Office staff.

It should be noted that the Office's original budget request for FY 2017 included a similar request to shift staffing costs for approximately 1.5 full-time positions from federal guaranty agency reserve funds to general revenues, but the Governor did not include the requested shift in her recommended budget and the Assembly concurred. The trend of shifting costs from federal funds and other sources that supported the work of the former Higher Education Assistance Authority could continue into the future as revenues that once supported the former Authority's work are extinguished. *The Governor does not recommend the requested shift to general revenues for these positions.*

Nursing Education Center Operations. The University and the College included a total of \$5.1 million in their unrestricted budgets for staffing and operations of the new Nursing Education Center, including \$2.6 million for the University and \$2.4 million for the College. Requested funding for FY 2018 includes \$1.0 million for staffing costs for 10.0 positions associated with the facility, \$2.2 million for the institutions' share of lease costs for the facility, \$1.4 million for parking and transportation costs, and \$0.5 million for other operating costs. *The Governor's recommendation adds \$5.1 million for staffing costs and other administrative expenses for the Nursing Education Center in the Office's budget, consistent with the total amount of funding requested by the University and the College for this purpose. The Governor's recommendation continues to show the funding in the institutions' budgets as well. This double counts these expenditures, similar to operating transfers in other budgets.*

Nursing Education Center Lease. The 2014 Assembly authorized the Board of Education and the Department of Administration to enter into a 15-year lease with the developer of the South Street Landing property in Providence for the Nursing Education Center. Occupancy of the facility is anticipated for September 1, 2017 rather than November 2016 as originally planned. This is the second delay of the opening date for this facility. No lease payments will be made until occupancy of the facility occurs. *The Governor recommends \$3.6 million from general revenues for the first-year of lease payments for the facility, assuming August 2017 occupancy.*

Nursing Education Buildout Debt Service. The 2014 Assembly also authorized the issuance of \$10.5 million from Certificates of Participation with a maximum interest rate of 7.0 percent over a ten-year term to furnish and equip the Nursing Education Center. The final issuance is anticipated to have 5.0 percent interest over a ten-year term, for annual debt service of \$1.4 million from general revenues. *The Governor recommends \$1.4 million from general revenues to reflect the anticipated debt service schedule.*

Westerly Higher Education and Job Skills Center Operations. The Office requests \$1.5 million from restricted receipts for staffing and operations of the new Westerly Higher Education and Job Skills Center. The Center is intended to be financially self-sustaining, with operating and personnel costs supported by program fees and revenues from leasing the space. This is \$1.1 million more than enacted and \$0.6 million more than the revised request to reflect the Office's estimate for the annualized cost to operate the facility. The revised request includes only \$0.4 million for staffing costs and \$0.5 million for operating costs based upon occupancy of the facility for roughly six months during FY 2017. The request also includes \$250,000 from restricted receipts for an unspecified transfer payment to the Community College. The Office indicates that this reflects a mistake and is meant to reflect a request for \$250,000 from Rhode Island Capital Plan funds for repairs and upgrades to the main office building at 560 Jefferson Boulevard in Warwick which would be consistent with the Office's capital request. *The Governor recommends funding as*

requested; her recommendation does not remove the restricted receipts inadvertently included in the request.

Westerly Higher Education and Job Skills Center Lease Support. The Office requests \$1.3 million from general revenues for the second year of funding to secure a long-term lease for the new Westerly Higher Education and Job Skills Center, as outlined in the lease agreement signed between the Council on Postsecondary Education and the Royce Family Fund, Inc. in August 2016. The enacted budget includes \$750,000 from general revenues for the first year of funding to assist in securing the lease. It should be noted that the Office's revised request inadvertently reduces this funding in the enacted budget by \$675,000. *The Governor recommends funding as requested; her revised recommendation also includes the enacted funding inadvertently reduced by the Office in its revised request. With this second year of funding, the state's total general revenue commitment will be \$2.0 million.*

Other Salaries and Benefits. The request includes \$2.0 million from all sources for salary and benefit costs for all other 12.0 positions within the Office, including \$2.0 million from general revenues and \$0.1 million from federal funds. This is \$80,332 more from general revenues than the enacted budget and the revised request to reflect full funding for all authorized positions and current service adjustments. It should be noted that the Office's request appears to underestimate the cost for a 3.0 percent cost-of-living adjustment for various non-classified Office employees that are part of higher education unions by \$16,500. Adjusted for this, the request would be \$96,832 more than enacted. As of the December 24, 2016 pay period, all of the Office's 13.0 authorized non-classified positions were filled.

The Office's constrained request reduces funding for salary and benefit costs by \$0.2 million or 7.9 percent from general revenues. Based on an average cost per position of \$129,476, the Office would need to hold approximately 1.5 full-time equivalent positions vacant to achieve these savings.

The Governor recommends \$51,535 more from general revenues than requested to reflect charging \$55,005 for half the cost of an Education Policy Advisor employee in the Governor's Office to the Office of Postsecondary Commissioner. This increase is partially offset by statewide benefit savings of \$3,470.

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 the 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. Prior to FY 2006, support for the Shepard building was shown in the Department of Administration's budget. The 2005 Assembly transferred support for the Shepard Building to the Office of Higher Education and the Department of Elementary and Secondary Education.

The constrained request reduces funding for the Shepard Building by \$0.2 million or 7.5 percent. 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 funding for Shepard Building operations includes \$1.0 million from general revenues for a parking lease, which is held harmless in the Budget Office's constrained target calculations because the Office is contractually obligated to provide this funding.

The Governor recommends funding consistent with the unconstrained request. The Governor's capital recommendation also transfers responsibility for upgrades and asset protection projects for the Shepard Building from the University to the Division of Capital Asset Management and Maintenance within the Department of Administration.

Job Classification Study. The request includes \$0.3 million for the Office to perform a new job classification study for the public higher education system. The Office indicates that the study will be similar to a study recently completed by the Department of Administration. This type of study has not been conducted for the public higher education system since the 1970s. The study is intended to evaluate how technological advancements and other changes in the workplace environment have influenced positions within higher education. Job reclassifications and changes to pay scales may result dependent upon the findings of the study. It should be noted that the Office's original FY 2017 request included \$0.3 million from general revenues for an identical initiative. The Governor did not recommend the requested funding and the Assembly concurred.

The Office's constrained request reduces general revenue funding for this job classification study by \$24,000, equivalent to an 8.0 percent reduction.

The Governor does not recommend funding the study.

College Crusade Support. The Office requests \$3.5 million to support the operations and scholarship programs offered by the College Crusade, including \$3.1 million from the GEAR-UP federal grant and \$0.4 million from general revenues. This is consistent with the enacted budget. The College Crusade of Rhode Island is a nonprofit organization founded in 1989 to reduce high school dropout rates and increase educational and career success for low-income urban youth. The GEAR-UP grant provides grants to states and partnerships for support and commitment to eligible low-income students, including students with disabilities, to help the students obtain a secondary school diploma and to prepare for and succeed in postsecondary education. The unrestricted source grant is used to support staffing costs for 2.2 full-time positions at the Crusade including a 1.0 Chief Financial Officer, 1.0 Fiscal Officer, and 0.2 bookkeeper, as well as costs for rent and utilities.

The Office's constrained request reduces general revenue funding for the College Crusade by \$26,625 or 7.5 percent.

The Governor recommends \$3.5 million, consistent with the enacted budget.

Other Unrestricted Source Grants. The Office requests \$0.4 million from general revenues for all other grants funded from unrestricted sources, consistent with the enacted budget and the revised request. This includes \$60,000 for dual enrollment incentive grants, and \$30,000 for the Best Buddies program. The funds for dual enrollment incentives are used to support dual enrollment scholarships at the Community College of Rhode Island for students enrolled in the College Crusade program. The funds for Best Buddies supports programs that provide socialization opportunities, job coaching, and other tools for people with intellectual disabilities to become more independent and more integrated into their communities.

The Office's constrained request reduces general revenue funding for these grants by \$6,750 or 7.5 percent.

The Governor recommends funding consistent with the unconstrained request.

College Access Challenge Grant. The request includes \$0.2 million from College Access Challenge Grant federal funds. This is \$0.6 million less than enacted and \$42,000 less than the revised allocation to reflect the expiration of funding for this grant in October 2016. The College Access Challenge Grant program was originally launched in 2012 and, since FY 2016, has been awarded to the Office and distributed to the three institutions to encourage projects aimed at increasing the number of minority and lower-income students prepared to enter postsecondary education and increase retention and persistence among these student populations. Each of the three institutions used the funding differently to achieve this shared goal. During the 2014-2015 academic year, a total of 2,407 students were helped by the three institutions through programs funded by this grant. It should be noted that the unrestricted budget requests for the Community

College and the College include \$0.1 million and \$0.5 million, respectively, to continue the programs funded from this grant. *The Governor recommends funding as requested.*

Title II Higher Education Partnership Grant. The request includes \$0.3 million for the Office's Higher Education Partnership grant, \$0.1 million more than enacted. The Higher Education Partnership grant provides state educational agencies, local educational agencies, state agencies for higher education and eligible partnerships funding to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom. The increased request reflects unspent carry-forward balances from prior years. *The Governor recommends funding as requested.*

Capital. The enacted budget includes \$2.0 million from Rhode Island Capital Plan funds to outfit and equip the new Westerly Higher Education and Job Skills Center. The request excludes this funding and includes no funding for any other capital projects in FY 2018. The Office's capital budget request includes \$250,000 from Rhode Island Capital Plan funds to make repairs and improvements to the Office's main office building located at 560 Jefferson Boulevard in Warwick and this was mistakenly requested as restricted receipt funding for the Westerly Higher Education and Job Skills Center in the operating request. *The Governor recommends funding as requested. These projects are discussed in more detail in the Capital Budget section of this publication.*

Other Office Operations. The request includes \$1.0 million from general revenues and \$20,441 from federal funds for all other Office operations. This is \$146,500 more than enacted from general revenues to reflect additional funding for a number of items, including \$15,000 for general legal services, \$75,000 for information technology purchases including updated software packages and new desktops for an unspecified number of staff, and \$40,000 for unspecified repairs and improvements to the Office's main office at 560 Jefferson Boulevard in Warwick. As previously noted, the Office's capital budget request includes \$250,000 from Rhode Island Capital Plan funds for repairs and improvements to the main office in Warwick, though this funding was mistakenly excluded from the Office's operating budget request.

The constrained request reduces expenses for these items by \$0.1 million from general revenues. It is unclear how these savings would be achieved.

The Governor recommends \$54,185 less than enacted, which is \$0.2 million less than the unconstrained request to provide funding at the current service level.

Division of Higher Education Assistance

Salaries and Benefits. The request includes \$0.9 million from guaranty agency reserve funds to support staffing costs for 8.0 full-time equivalent positions within the Division of Higher Education Assistance. Requested funding is \$132,172 more than enacted and \$81,766 more than the revised allocation to fully fund all authorized positions within the Division. The Division was established within the Office of Postsecondary Commissioner beginning in FY 2016 to replace the Rhode Island Higher Education Assistance Authority, which was abolished effective June 30, 2015.

It should be noted that the unrestricted budget also includes \$0.4 million to shift staffing costs for 3.0 full-time positions from federal funds to general revenues. The Office indicates that these positions will continue to do some work related to Division operations such as providing technical oversight for the Last Dollar Scholarship program and other federal grant application systems; however, they will also perform maintenance and security monitoring for a number of systems related to operations of the Office of Postsecondary Commissioner. These positions are also responsible for general maintenance and technical support for all hardware and software systems used by both Division and Office staff. Even after the full extinguishment of the loan portfolio, the Office indicates that the 3.0 positions for which general revenue

funding is requested will remain with the Office to perform information technology related functions, as their assistance will be needed to maintain state grant and data systems.

The Office indicates that at the current rate of decline, the Division of Higher Education Assistance will maintain a contract for management of this loan portfolio for another three to five years before responsibility is handed over to the federal Department of Education. This is two years longer than the Office's estimate provided in last year's request; the Office indicates that this new estimate reflects greater success in collecting on defaulted loans than in prior years. The trend of shifting costs from federal funds and other sources that support the work of the Division could continue into the future as revenues that currently supported the Division's work dry up. *The Governor recommends funding as requested from guaranty agency funds but does not shift costs to general revenues as mentioned earlier.*

Rhode Island Promise Scholarship. The state currently has a number of scholarship sources and programs that provide direct aid to students. These include the Last Dollar Scholarship program and the Dual Enrollment program, for which the Governor's recommendation includes \$10.1 million and \$1.3 million, respectively; these programs are discussed in detail elsewhere in this analysis. The institutions also provide direct student aid to offset tuition and fee costs for students. The Governor's recommended budgets for the three institutions include \$130.2 million from unrestricted source student aid; this funding is discussed in further detail elsewhere in this analysis. The Governor includes language to establish a new Rhode Island Promise Scholarship to cover two years of tuition and fee costs at one of the three public postsecondary institutions for all qualifying Rhode Island residents. The new program is intended to be a "last dollar" scholarship, meaning that after a student exhausts all other sources of student aid the program would cover the remainder of their tuition bill. Room and board and other non-mandatory fees would not be covered by this program.

Rhode Island residents that qualify for in-state tuition per Council on Postsecondary Education regulations are eligible for the new Rhode Island Promise Scholarship if they meet a number of criteria including: attaining a high school diploma or equivalent qualification by age 19; completion of the Free Application for Federal Student Aid by the deadline set by the institution the student chooses to attend; maintaining full-time enrollment and a minimum 2.0 grade point average; and, remaining on track to graduate within two years from the Community College or four years from the University or College. Students must enroll and matriculate to one of the three institutions in the fall semester immediately following their high school graduation. For the University and College, the student must be a full-time student with a minimum of 60 credit hours, essentially equivalent to a "junior," and a declared major.

The Governor recommends \$10.0 million from general revenues for the first year of funding for this program. This includes \$6.0 million for "preparedness grants" to be distributed to the institutions in order to support the development of programs for things such as counseling and advising or other related activities and \$1.0 million for use by the Office to implement data systems for the program, advertise and market the new scholarship, and to conduct outreach and workshops to encourage students to complete the Free Application for Federal Student Aid. The remaining \$3.0 million would support the first year of direct aid for students attending the Community College of Rhode Island. Supporting documents indicate future costs to be \$13.0 million in FY 2019, \$18.0 million in FY 2020 and \$30.0 million in FY 2021.

Dual Enrollment Program. The request includes \$1.3 million from tuition savings fees for the Dual Enrollment program, consistent with the enacted budget. This program is in its third year and allows students to take courses on either a higher education institute's campus or at their high school. It is intended to allow qualified high school students to earn college credit through dual and concurrent enrollment at no cost to the students. This program and the Last Dollar Scholarship Program replaced the state's need-based scholarship and grant program with more flexible state grant programs directed by the Commissioner of Postsecondary Education. It should be noted that this program and the Last Dollar Scholarship program are supported by tuition savings fees and guaranty agency reserve funds, declining revenue sources. The

Office estimates that at the current rate of decline, its operating reserves that support these scholarships and other Division operations will be fully extinguished by FY 2019.

It should be noted that the Office overspent its original appropriation for this scholarship program in FY 2016. The FY 2016 third quarter report for the public higher education system identified a \$0.4 million deficit in the Dual Enrollment Program resulting from the unanticipated increase in enrollment above initial projections. The Governor subsequently requested a budget amendment to include \$0.4 million more for the Dual Enrollment Program in her FY 2016 revised budget and the Assembly concurred. The overspending was primarily attributable to higher than anticipated participation in the program during the fall 2015 semester, particularly at the College. Enrollment was lower during the spring 2016 semester. The Office indicates that there is currently no plan to limit enrollments in order to reduce the risk of an FY 2017 deficit for the program.

The Governor recommends total funding of \$1.8 million, including the enacted level of \$1.3 million from tuition savings fees and \$0.5 million from new general revenues. The additional general revenues are recommended to fund higher than anticipated demand for the program. It should be noted that final FY 2016 spending for this program was \$1.7 million from tuition savings fees.

Last Dollar Scholarship. The request includes \$10.1 million for the Last Dollar Scholarship Program, consistent with the enacted level. This includes \$6.1 million from tuition savings fees and \$4.0 million from federal loan reserve funds. This program and the Dual Enrollment Program replaced the state's need-based scholarship and grant program with more flexible state grant programs directed by the Commissioner of Postsecondary Education. The 2015 Assembly provided that the lesser of 20.0 percent of \$2.0 million annually be allocated to students attending independent, non-profit higher education institutions in Rhode Island with the remaining funding reserved for public higher education institutions in Rhode Island. It should be noted that this program and the Dual Enrollment program are supported by tuition savings fees and guaranty agency reserve funds, declining revenue sources. The Office estimates that at the current rate of decline, its operating reserves that support these scholarships and other Division operations will be fully extinguished by FY 2019.

According to information provided by the Office, more than 7,000 students received aid during the fall 2015 and spring 2016 academic semesters, ranging from \$100 to \$4,000 depending on the needs of the student. The program helps students already receiving financial aid cover additional costs of tuition and fees and the purchase of books not covered by other financial aid sources. Eligibility for these grants varies by which institution a student attends. The University awards these grants to students whose expected family contribution toward the cost of their education is up to \$12,000. The College awards the grants to students who have completed their first year of study and who are already eligible for Pell Grants. The Community College awards the grants to students who are eligible for Pell Grants and whose expected family contribution ranges from zero to \$5,198. *The Governor recommends funding as requested.*

Loan Portfolio Management. The request includes \$3.6 million for the management of the Division of Higher Education Assistance's loan portfolio, consistent with the enacted budget. These funds reflect default aversion fees from efforts to rehabilitate defaulted loans from the Federal Family Education Loan program. Prior to July 1, 2015, responsibility for rehabilitation of defaulted loans fell to the Higher Education Assistance Authority. Federal budget cuts passed in 2013 significantly reduced the income the Authority received from default aversion fees. The Office indicates that at the current rate of decline, the Division of Higher Education Assistance will maintain a contract for management of this loan portfolio for another three to five years before responsibility is handed over the federal Department of Education. This is two years longer than the Office's estimate provided in last year's request; the Office indicates that this new estimate reflects greater success in collecting on defaulted loans than in prior years. *The Governor recommends funding as requested.*

WaytoGoRI Web Portal. The request includes the enacted level of \$0.7 million from guaranty agency reserve funds for contracted services related to the operation of the Office's WaytoGo Rhode Island web portal system, consistent with the enacted budget. WaytogoRI.org is a free, internet-based program that introduces elementary age students to possible career paths, prepares middle school students for high school, and offers services to prepare high school students for college or career opportunities. The system is currently available in all public schools in the state and many private ones. It is funded from guaranty agency operating funds but as these revenues are extinguished the Office will need to explore other options.

The Office currently has a contract with XAP for \$475,000 annually to license, operate, and maintain the site. The Office funds this contract from its guaranty agency reserve funds. XAP owns the code and the system resides on a XAP server limiting the ability for another entity to take over the maintenance of the system. The current contract is effective from March 1, 2016 through August 31, 2018. The additional \$0.2 million above the contract amount is used for staff training and for other limited services not provided by XAP. *The Governor recommends funding as requested.*

Other Division Operations. The request includes \$1.1 million from federal funds for all other Division operations, consistent with the enacted budget. The Division was established within the Office of Postsecondary Commissioner beginning in FY 2016 to replace the Rhode Island Higher Education Assistance Authority, which was abolished effective June 30, 2015. These expenses include \$0.1 million for outside legal services, \$0.1 million for building and equipment maintenance, \$0.3 million for office supplies and \$0.6 million for information technology expenses related to the administration of programs formerly under the purview of the Higher Education Assistance Authority. *The Governor recommends funding as requested.*

University of Rhode Island

University of Rhode Island	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Governor
Expenditures by Category				
Salaries and Benefits	\$ 296,375,781	\$ 289,033,869	\$ 311,509,971	\$ 299,625,015
Contracted Services	22,524,109	18,379,843	18,288,110	18,288,110
Subtotal	\$ 318,899,890	\$ 307,413,712	\$ 329,798,081	\$ 317,913,125
Other State Operating	158,054,143	171,806,367	160,045,124	171,120,080
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	227,999,083	226,477,459	231,442,227	231,742,227
Capital	35,214,943	20,286,572	18,873,447	10,941,800
Capital Debt Service	37,145,997	37,855,827	35,123,584	43,978,261
Operating Transfers	-	-	-	-
Total	\$ 777,314,056	\$ 763,839,937	\$ 775,282,463	\$ 775,695,493
Sources of Funds				
General Revenue	\$ 89,870,298	\$ 92,173,336	\$ 94,909,627	\$ 99,629,728
Tuition and Fees	301,498,287	296,701,870	311,495,533	311,495,533
Other Unrestricted	27,959,667	32,173,620	32,125,679	35,739,358
Total Unrestricted	\$ 419,328,252	\$ 421,048,826	\$ 438,530,839	\$ 446,864,619
Restricted	357,985,804	342,791,111	336,751,624	328,830,874
All Sources	\$ 777,314,056	\$ 763,839,937	\$ 775,282,463	\$ 775,695,493
FTE Authorizations	1,915.7	1,915.7	1,928.7	1,915.7
<i>Limited to Third-Party Funds</i>	<i>573.8</i>	<i>573.8</i>	<i>573.8</i>	<i>573.8</i>
Total	2,489.5	2,489.5	2,502.5	2,489.5

Summary. The University requests \$775.3 million and 2,502.5 full-time equivalent positions for FY 2018, a decrease of \$2.0 million or 0.3 percent from the FY 2017 enacted budget and an increase of \$18.0 million or 2.4 percent from the revised allocation. General revenues, requested at \$94.9 million, are \$5.0 million more than both the enacted budget and the revised allocation. Compared to the enacted budget, restricted expenditures are \$21.2 million less, which mainly reflects reduced capital expenditures from auxiliary revenues and a decline in anticipated sponsored research awards. The staffing request includes an increase of 13.0 full-time equivalent positions over the enacted authorization and assumes that 573.8 of the total positions would be limited to funding from third-party sources, consistent with the enacted authorization.

The Governor recommends \$775.7 million from all sources, which is \$1.6 million less than enacted and \$0.4 million more than requested. The recommendation includes \$99.6 million from general revenues, which is \$9.8 million more than enacted and \$4.7 million more than requested. Adjusted for increased expenditures for general obligation bond debt service, general revenues are \$0.3 million more than enacted but \$4.8 million less than requested. She recommends 2,489.5 full-time equivalent positions, consistent with the enacted authorization.

Tuition and Enrollment. The FY 2018 budget includes revenues related to a tuition and mandatory fee increase of 7.0 percent or \$908 and 4.0 percent or \$1,168 for in-state and out-of-state students, respectively. The request also includes an increase of 1.2 percent or \$152 for average room and board costs. In-state

enrollment is projected to decrease 0.5 percent or 42 full-time equivalent students and out-of-state enrollment is projected to decrease 0.5 percent or 35 full-time equivalent students for a total decrease of 0.5 percent or 77 full-time equivalent students. For FY 2018, the University is projecting that of 14,722 students, 7,787 will be from Rhode Island and 6,935 or 47.1 percent will be from out-of-state.

University Undergraduate			Change to	
Tuition and Fees	FY 2017	FY 2018	FY 2017	
Resident				
Tuition	\$ 11,128	\$ 12,002	\$ 874	7.9%
Fees	1,756	1,790	34	1.9%
Total	\$ 12,884	\$ 13,792	\$ 908	7.0%
Nonresident				
Tuition	\$ 27,118	\$ 28,252	\$ 1,134	4.2%
Fees	1,756	1,790	34	1.9%
Total	\$ 28,874	\$ 30,042	\$ 1,168	4.0%
Average Room and Board	\$ 12,300	\$ 12,452	\$ 152	1.2%
Undergraduate and Graduate Enrollment				
In-State	7,829	7,787	(42)	-0.5%
Out-of-State	6,970	6,935	(35)	-0.5%
Total	14,799	14,722	(77)	-0.5%

As in its FY 2017 request, the University proposes further tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Council on Postsecondary Education approved the tuition rates as shown in the table above at its November 2016 meeting and also voted to reserve “the right to readjust tuition and fees as needed upon notification of the Governor’s recommendation and, later, upon the action of the legislature.”

The Governor’s budget assumes tuition and fee increases consistent with Council approval.

Staffing. The request for 2,502.5 full-time equivalent positions is 13.0 more than the enacted level to reflect new positions including 10.0 tenure-track faculty positions, 1.0 housekeeper, 1.0 criminologist for the Rhode Island State Crime Lab, and 1.0 veterinarian position. The request also assumes that 573.8 of the total positions would be limited to funding from third-party sources, consistent with the enacted authorization.

The Governor recommends 2,489.5 full-time equivalent positions, consistent with the enacted authorization. The recommendation includes the 13.0 new requested positions which means the University would have to eliminate 13.0 other positions to stay within its authorization. As of the pay period ending January 7, 2017, the University had 2,405.2 filled positions.

Unrestricted Budget. The unrestricted budget accounts for \$438.5 million, an increase of \$19.2 million or 4.6 percent over the enacted budget and \$19.7 million or 4.7 percent over the revised allocation. Sources of funds for the increase from the revised budget include \$5.0 million more from general revenues, \$14.7 million more from tuition and fees and \$47,941 less from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including an 8.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the University is \$4.0 million more than the unconstrained request, including \$10.2 million less from general revenues offset by \$14.2 million more from tuition and fees. As in its FY 2017 request, the University proposes further tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions.

The Governor recommends \$446.9 million in unrestricted expenditures, which is \$27.5 million more than enacted and \$8.3 million more than requested. General revenues are \$9.8 million more than enacted and \$4.7 million more than requested. Adjusted for increased debt service expenditures, the increase from general revenues is \$0.3 million more than enacted and \$4.8 million less than requested. The Governor's recommendation replaces the \$4.8 million general revenue shortfall to the request with other, unidentified unrestricted resources. This assumes the University will generate more revenue than its current projection, or constrain spending from the request in order not to exceed available resources.

It should be noted that the Governor's recommendation also includes \$6.0 million from general revenues for the proposed Rhode Island Promise Scholarship program for "preparedness grants" to be distributed to the institutions in order to support the development of programs for things such as counseling, advising, or other purposes that would help them prepare for the implementation of the scholarship program; the amount expected to be allocated to the University appears to be \$2.0 million.

University of Rhode Island Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (474,374)	\$ 1,720,574	\$ 2,194,948
New Faculty (10.0 FTE)	1,382,390	1,382,390	-
New Veterinarian (1.0 FTE)	203,622	203,622	-
Nursing Education Center Operations	2,211,334	2,211,334	-
State Crime Lab (1.0 FTE)	389,694	129,694	(260,000)
Other Salaries and Benefits	9,851,796	9,851,796	-
Utilities	197,848	197,848	-
Debt Service	279,560	6,928,392	6,648,832
Polaris MEP Grant Transfer	-	(250,000)	(250,000)
Student Aid	5,559,644	5,559,644	-
Information Technology	559,136	559,136	-
Other Operating Expenses	(958,063)	(958,063)	-
Total	\$ 19,202,587	\$ 27,536,367	\$ 8,333,780

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 Council 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 Council specifies as requested, staff analysis starts from the allocations.

The University requests \$418.9 million from unrestricted sources, \$0.5 million less than enacted. This includes the enacted amount from general revenues, \$4.7 million less from tuition and fees, and \$4.2 million more from other unrestricted sources.

The decrease in expenditures funded from tuition and fees in the revised request reflects overestimated potential revenues in the enacted budget. The enacted budget assumed use of significant additional tuition and fee revenues beyond those which the University could produce given initial FY 2017 enrollment

projections and the tuition freeze. This left the University with a \$6.8 million imbalance between unrestricted expenditures and potential revenues.

The University addressed this potential deficit in its revised request in two ways. First, the unanticipated increase in enrollment above initial FY 2017 projections provides the University with \$2.2 million more from tuition and fee revenues than initially projected in its original FY 2017 request. This addresses roughly one-third of the \$6.8 million imbalance. Second, the University's revised request constrains spending for a number of items for which the University originally intended to use prior-year unrestricted source reserve balances. Most significantly, this includes a reduction of \$3.6 million for unrestricted source capital expenditures compared to the enacted budget. This reduction for capital expenditures is partially offset by \$2.3 million more for salaries and benefits to reflect graduate assistant stipend increases, additional part-time lecturers based on enrollment adjustments, step increases for a number of positions, and restoration of turnover savings included in the enacted budget equivalent to approximately 12.5 positions.

The Governor recommends \$2.2 million more than requested. This includes \$2.3 million more from general revenues for general obligation bond debt service payments based on the issuance of new debt for the first phase of the engineering building renovations project. This increase is partially offset by \$0.1 million less for debt service on the University's energy performance contract pursuant to the debt service schedule. Adjusted for the apparent misclassification of \$10.2 million of salary and benefit costs for seasonal and temporary employees as operating expenses, the remainder of the recommendation is consistent with the request.

New Faculty (10.0 FTE). Unrestricted expenditures increase \$1.4 million to fund 10.0 new tenure-track faculty positions for FY 2018. These 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 cites its disproportionate reliance on part-time faculty as a major reason for its efforts to expand the number of full-time, tenure track faculty.

The University indicates that it is committed to hiring 55.0 new faculty, including 40.0 tenure-track and 15.0 lecturers over the FY 2016 to FY 2019 period. The University believes that increasing the number of full-time faculty will provide an opportunity to enhance undergraduate research, reinvigorate general education, expand interdisciplinary learning and discovery, advance innovation in research, scholarship and creative work and strengthen the emphasis on global education and competency. It will also enhance the gender, cultural and ethnic diversity of the faculty. The FY 2017 enacted budget includes funding and authorization for 10.0 new tenure-track faculty positions. The University requested 10.0 new tenure track faculty and 4.0 new lecturer positions in FY 2016 as well, but the Governor did not recommend the new positions and the Assembly concurred. *The Governor recommends staffing and funding as requested. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.*

New Veterinarian Position (1.0 FTE). Unrestricted expenditures increase \$0.2 million to fund 1.0 new veterinarian position in FY 2018. The University indicates that this position is necessary in order for it to obtain accreditation with the Association for Assessment and Accreditation of Laboratory Animal Care. The University identifies this position and the accreditation it will facilitate as being of particular importance for the work of the new George and Anne Ryan Institute for Neuroscience. A centralized veterinary facility with a full-time professional providing standard care to all animals is the norm among the University's peer institutions. Many of these institutions are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care, while the University of Rhode Island is currently not. The University indicates that attaining this accreditation would allow it to become more competitive with these peer institutions. *The Governor recommends funding and staffing as requested. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current*

projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Nursing Education Center Operations. The unrestricted budget includes \$2.6 million for the University's share of costs associated with the new Rhode Island Nursing Education Center in FY 2018. This is \$2.2 million more than the revised allocation to reflect a full year of operation of the facility. The FY 2017 revised request includes \$0.4 million for the University's share of the costs, based upon assumed occupancy of the facility in January 2017; the facility is not slated for full opening until September 2017. Requested funding for FY 2018 includes \$0.5 million for the University's share of staffing costs for 10.0 positions associated with the facility, \$1.1 million for the College's share of lease costs for the facility, \$0.8 million for parking and transportation costs, and \$0.2 million for other operating costs. It should be noted that this is \$0.2 million more than the College's FY 2018 request; the difference reflects shuttle service costs, for which the University is paying more because its campus is located further away from the Center. This is also \$0.6 million less than the University's preliminary estimate for FY 2018 costs included in last year's request, primarily reflecting reduced costs for shuttle services.

The Governor recommends funding as requested. The Governor's recommendation continues to show the funding in the institutions' budgets and the Office's budget as well. Supporting documents indicate that the intent was to transfer funding for the staffing and operations costs of the Nursing Education Center from the budgets of the University and the College to the Office of Postsecondary Commissioner. This double counts these expenditures, similar to operating transfers in other budgets.

State Crime Lab (1.0 FTE). The unrestricted budget includes \$1.5 million for the State Crime Lab, \$0.2 million more than the revised allocation. This reflects the purchase of new forensics equipment, funding for 1.0 newly requested position, and funding for a 3.0 percent cost-of-living adjustment and other current service adjustments for the Crime Lab's 9.0 authorized positions. The new forensics equipment includes an ultraviolet spectrophotometer and a new comparison microscope, estimated to cost \$260,000. It should be noted that an identical request was included in the University's original FY 2017 request, but the Governor did not recommend funding and the Assembly concurred. The request also includes \$0.1 million for a new 1.0 Criminalist II position, which will be responsible for working on the development of latent finger and palm prints, using the Automated Fingerprint Identification System database, and comparing unknown finger prints and palm prints to known exemplars.

The Governor recommends funding as requested with the exception of \$260,000 for the new forensics equipment. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Other Salaries and Benefits. Excluding the new positions discussed previously, the unrestricted budget includes \$230.9 million for all other faculty and staff expenditures. The request is \$9.9 million or 4.5 percent more than the revised allocation. The University indicates that the increase reflects the third and final annual 3.0 percent cost-of-living adjustment for some faculty and staff and associated benefit adjustments, a scheduled rate increase for retiree health insurance, an increase for medical insurance coverage costs per Budget Office instructions, step increases, and a number of faculty promotions and benefit adjustments consistent with Budget Office instructions. However, it appears that the University's overall request for salaries and benefits is overstated.

Adjusted for the apparent misclassification of \$10.7 million of salary and benefit costs for seasonal and temporary employees, the Governor recommends funding as requested. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent

additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Utilities. The unrestricted budget includes \$9.8 million for utility costs, \$0.2 million or 2.1 percent more than the FY 2017 revised allocation. The request is \$2.5 million or 34.6 percent more than spent in FY 2016 and \$1.6 million or 23.5 percent more than spent in FY 2015. The increase reflects historical expenditures, estimated future usage, as well as a contractual change with National Grid for electricity procurement. The significant increase over FY 2016 expenditures is attributable in part to increased funding required for the new Chemistry Building, which officially opened in September 2016. The University indicates that the majority of the increase over FY 2016 expenditure is related to a change in how the University pays for utilities; all expenses are now shown in the University's unrestricted budget, including expenses for sponsored research overhead, and the University's unrestricted budget is reimbursed from these funds. *The Governor recommends funding as requested.*

Debt Service. The unrestricted request includes \$19.1 million for debt service costs, \$0.3 million more than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds, revenue bonds, and Certificates of Participation for the University's energy performance contract upgrades. The increase mainly reflects \$0.4 million more for principal payments on Certificates of Participation for the University's energy efficiency upgrades. This increase is partially offset by \$0.1 million less to reflect the refunding of revenue bonds from 2005 and 2009 bond series. This refunding will continue to produce savings into the future.

The Governor recommends \$28.0 million, which is \$9.0 million more than enacted, primarily to reflect the issuance of new debt for the first phase of the University's engineering building renovations project. At the recommended funding level, unrestricted debt service will grow \$13.3 million or 90.2 percent between FY 2009 and FY 2018, and general revenue expenditures for general obligation bond debt service will grow \$10.1 million or 80.0 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	20,185,809	3,211,739	2,403,161	25,800,709
FY 2015	19,164,899	3,158,064	1,669,647	23,992,610
FY 2016 Final	8,501,835	3,594,304	1,709,986	13,806,125
FY 2016 Actual	8,501,835	3,042,265	1,707,094	13,251,194
FY 2017 Enacted	13,182,679	3,786,661	2,021,187	18,990,527
FY 2017 Rev. Req.	13,182,679	3,597,205	2,078,090	18,857,974
FY 2017 Gov. Rev.	15,485,717	3,597,205	1,970,000	21,052,922
FY 2018 Request	13,182,679	3,491,909	2,462,946	19,137,534
FY 2018 Gov. Rec.	\$22,657,568	\$ 3,491,909	\$ 1,831,837	\$27,981,314

Polaris Manufacturing Extension Partnership. The enacted budget for the University includes \$250,000 from general revenues for the Polaris Manufacturing Extension Partnership. Polaris is a Providence-based nonprofit organization and is a division of the University of Rhode Island's Research Foundation. Funding is used to support Polaris' work with Rhode Island manufacturers to design new facility layouts, expand sites, consolidate two or more facilities and incorporate new or specialized equipment into existing processes. *The Governor's budget transfers funding from the University of Rhode Island Research*

Foundation to the Commerce Corporation and provides additional general revenue funding to bring total state support for this grant to \$550,000.

Student Aid. The unrestricted budget includes \$107.9 million for student aid, which is \$5.6 million or 5.4 percent greater than the FY 2017 revised allocation and 8.0 percent greater than FY 2016 expenditures. The additional funding is consistent with the tuition and fee increases included in the University's request. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue.

The institutions also received additional funding for student aid in FY 2016 through the Last Dollar Scholarship program funded in the Office of Postsecondary Commissioner's budget. The University's allocation from the Last Dollar Scholarship program is \$2.6 million. The University considers both part-time and full-time students eligible for this grant. The University provided Last Dollar Scholarship grant funds to 3,359 students with an average award of \$772 during FY 2016.

The constrained request adds \$4.0 million in student aid consistent with a 4.6 percent tuition increase that generates \$14.2 million more in tuition revenue to offset a reduction of \$10.2 million from general revenues.

The Governor recommends funding consistent with the unconstrained request. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Information Technology. The unrestricted budget includes \$3.1 million for information technology expenses, including the replacement of computer equipment and software licensing and maintenance for academic classrooms, laboratories, and computer labs. This is \$0.6 million more than the revised allocation to reflect use of additional projected revenues related to the requested \$16 increase in the University's mandatory technology fee. The University has not yet identified specific uses for this funding, but will likely use it to purchase technology upgrades for academic classrooms and library facilities. The request is \$2.1 million or 40.1 percent less than spent in FY 2016. *The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.*

Other Operating Expenses. Excluding the items noted previously, the unrestricted budget includes \$61.9 million for all other operating and contracted services expenditures. These include expenditures for the University's fundraising contract with the University of Rhode Island Foundation, guest speakers, legal services, student loan management services, tuition and student loan collection services, travel, unrestricted source capital expenditures, and janitorial and groundskeeping services, to name a few. This is \$1.0 million or 1.5 percent less than the revised allocation and 2.1 percent less than spent in FY 2016.

Adjusted for the apparent misclassification of \$10.7 million of salary and benefit costs for seasonal and temporary employees, the Governor recommends funding as requested. As noted, the recommendation assumes availability of \$4.8 million in revenues beyond the University's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Restricted Budget. The restricted budget request is for \$336.8 million, which is \$21.2 million or 5.9 percent less than enacted and \$1.7 million or 0.5 percent less than the revised allocation. The decrease includes \$9.4 million less for sponsored research programs, \$2.7 million less for student aid, \$2.2 million less for debt service payments, and \$14.9 million less for capital expenditures funded from auxiliary and enterprise revenues. The most significant single reduction includes \$12.5 million less for capital

expenditures for the University's housing and residential units. These reductions are partially offset by \$3.1 million more for capital improvements funded from Rhode Island Capital Plan funds and \$5.2 million more for all other operating and personnel expenditures not funded from sponsored research programs.

Of the total \$21.2 million decrease from the enacted budget, \$9.4 million is related to a decrease in sponsored research funding. The projection reflects account awards in hand or anticipated as well as current and future proposals. Of the total \$9.4 million decrease in sponsored research funding, \$4.5 million comes from federal research funding, \$2.7 million from state funding, and \$2.2 million from private funding sources. The University's revised allocation appears to reflect recent historical experience, as it is only \$0.3 million more than FY 2016 spending; however, the revised allocation is \$6.3 million or 7.6 percent more than the FY 2018 request. Further, the FY 2018 request is \$6.0 million or 6.7 percent less than was spent in FY 2016 and \$10.4 million or 11.1 percent less than was spent in FY 2015.

The \$2.7 million reduction for restricted source student aid reflects the University's decision to no longer include scholarships provided by the University Foundation and Alumni Association, as these are separate entities for budgeting purposes. The University indicates that this source of student aid should not have been included in its budget requests in prior years; for the FY 2017 revised request and FY 2018 request, the University adopts the new practice of excluding this form of scholarship and grant funding from its budget.

The \$3.1 million increase for capital improvements funded from Rhode Island Capital Plan funds is attributable to a number of projects taking place in FY 2018, including three new projects. This includes \$1.0 million to begin renovations of the University's Fine Arts Center, \$0.4 million for utility infrastructure improvements in Fogarty Hall, \$2.1 million for renovations to White Hall including a new HVAC system, exterior envelope and windows, and \$0.3 million to purchase new forensics equipment for the State Crime Lab, including an ultraviolet spectrophotometer and a new comparison microscope. This is not consistent with the University's capital request, which did not include funding to purchase this new equipment for the Crime Lab. These increases are partially offset by \$0.4 million less than enacted for asset protection projects, \$0.1 million less for upgrades to the Shepard Building, and \$0.2 million less for closeout costs for the new Nursing Education Center. These projects are described in detail in the Capital Budget section of this publication.

The \$12.7 million reduction from restricted source capital expenditures includes \$14.9 million less for projects funded from auxiliary and enterprise revenues, partially offset by the increased Rhode Island Capital Plan fund expenditures discussed previously. Of the total \$14.9 million reduction, \$12.5 million is attributable to reduced capital expenditures for the University's Housing and Residential Life auxiliary unit. This reflects the University's decision to no longer show use of reserve fund balances for auxiliary units in its operating budgets; the University indicates that these expenses will now appear only in its capital budgets.

The Governor recommends \$29.2 million less than enacted, which includes funding as requested except for capital projects funded from Rhode Island Capital Plan funds and a slight adjustment to debt service expenditures for the University's energy performance contract.

Rhode Island College

Rhode Island College	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Governor
Expenditures by Category				
Salaries and Benefits	\$ 103,994,965	\$ 103,423,731	\$ 107,530,700	\$ 108,192,373
Contracted Services	3,286,075	2,803,684	2,783,650	2,783,650
Subtotal	\$ 107,281,040	\$ 106,227,415	\$ 110,314,350	\$ 110,976,023
Other State Operating	32,687,906	27,436,241	30,245,475	29,583,802
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	31,334,196	31,856,769	32,879,603	32,879,603
Capital	9,243,700	10,263,818	15,561,431	18,561,431
Capital Debt Service	6,104,475	6,301,888	6,438,060	9,332,741
Operating Transfers	-	-	-	-
Total	\$ 186,651,317	\$ 182,086,131	\$ 195,438,919	\$ 201,333,600
Sources of Funds				
General Revenue	\$ 49,561,584	\$ 49,505,721	\$ 51,754,164	\$ 52,305,851
Tuition and Fees	75,072,827	70,451,019	74,983,706	74,983,706
Other Unrestricted	8,858,882	9,402,763	9,863,231	12,206,225
Total Unrestricted	\$ 133,493,293	\$ 129,359,503	\$ 136,601,101	\$ 139,495,782
Restricted	53,158,024	52,726,628	58,837,818	61,837,818
All Sources	\$ 186,651,317	\$ 182,086,131	\$ 195,438,919	\$ 201,333,600
FTE Authorizations	844.2	844.2	861.2	844.2
<i>Limited to Third-Party Funds</i>	82.0	82.0	76.0	82.0
Total	926.2	926.2	937.2	926.2

Summary. Rhode Island College requests \$195.4 million from all sources and 937.2 full-time equivalent positions. This is an increase of \$13.0 million or 7.1 percent from the enacted budget and \$8.8 million or 4.7 percent from the revised allocation. General revenues, requested at \$51.8 million, are \$2.2 million more than both the enacted budget and the revised allocation. Compared to the enacted budget, restricted source expenditures are \$5.7 million more. This increase primarily reflects additional funding for capital projects and sponsored research programs, partially offset by savings from the privatization of the College's bookstore. The staffing request includes an increase of 11.0 full-time equivalent positions over the enacted authorization and assumes that 76.0 of the total positions would be limited to funding from third-party sources, 6.0 fewer than the enacted authorization.

The Governor recommends \$201.3 million, which is \$14.7 million more than enacted and \$5.9 million more than requested. The recommendation includes \$52.3 million from general revenues, which is \$2.7 million more than enacted and \$0.6 million more than requested. Adjusted for increased expenditures for general obligation bond debt service, general revenues are \$0.4 million more than enacted but \$1.8 million less than requested. She recommends 926.2 full-time equivalent positions, consistent with the enacted authorization.

Tuition and Enrollment. The FY 2018 budget includes revenues related to a tuition and mandatory fee increase of 6.9 percent or \$570 and 7.2 percent or \$1,422 for in-state and out-of-state students, respectively.

The request also includes an increase of 5.0 percent or \$562 for average room and board costs. In-state enrollment is projected to decrease 0.2 percent or 11 full-time equivalent students and out-of-state enrollment is projected to decrease 2.1 percent or 22 full-time equivalent students for a total decrease of 0.5 percent or 33 full-time equivalent students. For FY 2018, the College is projecting that of 6,914 students, 5,865 will be from Rhode Island and 1,049 or 15.2 percent will be from out-of-state.

College Undergraduate				
Tuition and Fees	FY 2017	FY 2018	Change to	
			FY 2017	
Resident				
Tuition	\$ 7,118	\$ 7,637	\$ 519	7.3%
Fees	1,088	1,139	51	4.7%
Total	\$ 8,206	\$ 8,776	\$ 570	6.9%
Nonresident				
Tuition	\$ 18,779	\$ 20,150	\$ 1,371	7.3%
Fees	1,088	1,139	51	4.7%
Total	\$ 19,867	\$ 21,289	\$ 1,422	7.2%
Average Room and Board	\$ 11,133	\$ 11,695	\$ 562	5.0%
Undergraduate and Graduate Enrollment				
In-State	5,876	5,865	(11)	-0.2%
Out-of-State	1,071	1,049	(22)	-2.1%
Total	6,947	6,914	(33)	-0.5%

As in its FY 2017 request, the College proposes a further tuition rate increase to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Council on Postsecondary Education approved the tuition rates in the tables above at its November 2016 meeting and also voted to reserve “the right to readjust tuition and fees as needed upon notification of the Governor’s recommendation and, later, upon the action of the legislature.”

The Governor’s budget assumes tuition and fee increases consistent with Council approval.

Staffing. The request for 937.2 full-time equivalent positions is 11.0 more than the enacted level to reflect new positions for two initiatives, including 10.0 academic advisors to expand the College’s full-time advising capacity and 1.0 coordinator to oversee a new program meant to expand students’ access to internship and other career-readiness opportunities. The request also assumes that 76.0 of the total positions would be limited to funding from third-party sources, 6.0 fewer than the enacted authorization, to reflect a requested shift of 6.0 positions formerly funded from an expiring federal grant to unrestricted sources.

The Governor recommends 926.2 full-time equivalent positions, consistent with the enacted authorization. The recommendation includes the 11.0 new requested positions which means the College would have to eliminate 11.0 other positions to stay within its authorization. As of the pay period ending January 7, 2017, the College had 868.1 filled positions.

Unrestricted Budget. The unrestricted budget accounts for \$136.6 million, which is an increase of \$3.1 million or 2.3 percent from the enacted budget and \$7.4 million or 5.8 percent from the revised allocation. Sources of funds for the increase from the revised allocation include \$2.2 million more from general revenues, \$4.8 million more from tuition and fees, and \$0.5 million more from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including an 8.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the College is consistent with the unconstrained request in terms of total funding, but includes \$5.5 million less from general revenues offset by \$5.5 million more from tuition and fees. As in its FY 2017 request, the College

proposes further tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions.

The Governor recommends \$139.5 million in unrestricted expenditures, which is \$6.0 million more than enacted and \$2.9 million more than requested. General revenues are \$2.7 million more than enacted and \$0.6 million more than requested. Adjusted for increased expenditures for general obligation bond debt service, general revenues are \$0.4 million more than enacted and \$1.8 million less than requested. The Governor's recommendation replaces the \$1.8 million general revenue shortfall to the request with other, unidentified unrestricted resources. This assumes the College will generate more revenue than its current projection, or constrain spending from the request in order not to exceed available resources.

It should be noted that the Governor's recommendation also includes \$6.0 million from general revenues for the proposed Rhode Island Promise Scholarship program for "preparedness grants" to be distributed to the institutions in order to support the development of programs for things such as counseling, advising, or other purposes that would help them prepare for the implementation of the scholarship program; the amount expected to be allocated to the College appears to be \$2.0 million.

College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (4,334,202)	\$ (4,133,790)	\$ 200,412
Nursing Education Center Operations	1,881,939	1,881,939	-
Professional Advising (10.0 FTE)	600,000	600,000	-
Student Experiential Learning (1.0 FTE)	750,000	750,000	-
Learning for Life Funding Transition (6.0 FTE)	500,000	500,000	-
Other Salaries and Benefits	3,573,250	3,573,250	-
Student Aid	1,022,834	1,022,834	-
Debt Service	337,076	3,031,345	2,694,269
Repairs and Maintenance	(325,000)	(325,000)	-
All Other Operations	(898,089)	(898,089)	-
Total	\$ 3,107,808	\$ 6,002,489	\$ 2,894,681

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 Council 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 Council specifies as requested, staff analysis starts from the allocations.

The College requests \$129.2 million from unrestricted sources, \$4.3 million less than enacted. This includes the enacted amount from general revenues, \$4.9 million less from tuition and fees, and \$0.5 million more from other unrestricted sources.

The decrease in expenditures funded from tuition and fees in the revised request reflects overestimated potential revenues in the enacted budget. The enacted budget assumed use of significant additional tuition and fee revenues beyond those which the College could produce given initial FY 2017 enrollment

projections and the tuition freeze. This left the College with a \$5.0 million imbalance between unrestricted expenditures and potential revenues.

The College addressed this potential deficit in its revised request in two ways. First, the unanticipated increase in enrollment above initial FY 2017 projections provides the College with \$0.2 million more from tuition and fee revenues than initially projected in its original FY 2017 request. This, coupled with increases in revenues from other unrestricted sources, provides the College with a total of \$0.8 million in additional revenue beyond initial FY 2017 projections. Second, the College's revised request constrains spending for various items by a total of \$4.3 million. Among the most significant reductions are \$1.6 million less than enacted for utility expenditures to reflect historical expenditures and an improved utility price forecasting methodology, \$0.9 million less for various contracted services, \$1.1 million less for salary and benefit costs, and \$0.6 million less for unrestricted source capital expenditures.

The Governor recommends \$256,275 more than requested for debt service on the College's energy performance contract, partially offset by \$55,863 less from general revenues for updated general obligation bond debt service. The added funding for the energy performance debt double counts the costs already budgeted; however, the recommendation also overstates available resources by a like amount. The remainder of the recommendation is consistent with the College's request.

Nursing Education Center Operations. The unrestricted budget includes \$2.4 million for costs associated with the new Rhode Island Nursing Education Center in FY 2018. This is \$1.9 million more than the revised allocation to reflect a full year of costs for operation of the facility. The FY 2017 revised request includes \$0.6 million for the College's share of the costs, based upon assumed occupancy of the facility in January 2017; it should be noted that the facility is not slated for full opening until September 2017. Requested funding for FY 2018 includes \$0.5 million for the College's share of staffing costs for 10.0 positions associated with the facility, \$1.1 million for the College's share of lease costs for the facility, \$0.6 million for parking and transportation costs, and \$0.2 million for other operating costs. It should be noted that this is \$0.2 million less than the University's FY 2018 request; the difference reflects costs for shuttle services from the University's Kingston campus versus shuttle services from the College's campus in Providence. This is also \$0.4 million less than the College's preliminary estimate for FY 2018 costs included in last year's request, primarily reflecting reduced costs for shuttle services.

The Governor recommends funding as requested. The Governor's recommendation continues to show the funding in the institutions' budgets and the Office's budget as well. Supporting documents indicate that the intent was to transfer funding for the staffing and operations costs of the Nursing Education Center from the budgets of the University and the College to the Office of Postsecondary Commissioner. This double counts these expenditures, similar to operating transfers in other budgets.

Professional Advising (10.0 FTE). The unrestricted budget includes \$0.6 million to support the College's new Professional Advising initiative. Requested funding would support 10.0 new Academic Advisor positions and some office equipment purchases like office furniture, desktop computers, and miscellaneous supplies. This new program is intended to shift the College away from its current faculty-centric advising model toward a hybrid model involving both professional advisors and faculty. The program would assign a professional academic advisor to students during their first two years to help plot a path to graduation. After completion of their second academic year, students would then be assigned a faculty advisor within their chosen field of study. It should be noted that requested funding assumes a November 1, 2017 start date for the 10.0 new Academic Advisors; the annualized cost for these positions would be \$0.9 million.

The Governor recommends staffing and funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Student Experiential Learning (1.0 FTE). The unrestricted budget includes \$750,000 to support the College's new Student Experiential Learning initiative. Requested funding would support staffing costs for 1.0 new Coordinator position, consultant costs associated with designing the program, and new technology upgrades. The program is aimed to increase student access to experiential learning opportunities such as internships, capstone research projects, study abroad trips, or other independent study programs. The College indicates that by increasing its students' exposure to experiential learning opportunities, it hopes to ensure that graduates have skills needed to transition to the workforce or advance on to graduate school for further study.

The Governor recommends staffing and funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Learning for Life Funding Transition (6.0 FTE). The unrestricted budget includes \$0.5 million to support the College's Learning for Life Program, reflecting the October 2016 expiration of funding from the College Access Challenge federal grant that previously supported this program. Requested funding would partially support costs for 6.0 full-time equivalent positions associated with the program as well as some operating costs. The College indicates that other funding sources will be used to supplement the program's budget. If these other funding sources expire, it is possible that the College may request to shift more of the costs for this program to its unrestricted budget in future years.

The Governor recommends staffing and funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Other Salaries and Benefits. Excluding the new positions discussed previously, the unrestricted budget includes \$91.9 million for all other unrestricted faculty and staff expenditures. The request is \$3.6 million or 4.0 percent more than the revised allocation. The increase reflects the third and final annual 3.0 percent cost-of-living adjustment for some faculty and staff and associated benefit adjustments, a scheduled rate increase for retiree health insurance, an increase for medical insurance coverage costs per Budget Office instructions, restoration of some turnover savings included in the enacted budget, scheduled step increases for various positions and other current service adjustments.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Student Aid. The unrestricted budget includes \$17.7 million for student aid, which is \$1.0 million or 6.1 percent greater than the FY 2017 allocation and \$2.3 million or 14.9 percent more than FY 2016 expenditures. The additional funding is consistent with the tuition and fee increases included in the College's request. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue.

The institutions also received additional funding for student aid in FY 2016 through the Last Dollar Scholarship program funded in the Office of Postsecondary Commissioner's budget. The College's allocation from the Last Dollar Scholarship program is \$2.2 million. The College provided Last Dollar Scholarship grant funds to 493 students with an average award of \$4,386 during FY 2016. The College's program, entitled *Stay the Course*, is targeted at increasing retention of second-year students by providing financial assistance to encourage continued enrollment.

It should be noted that the constrained request assumes tuition increases that result in an additional \$5.5 million in tuition and fee revenue. A further increase in student aid would be expected given an increase in tuition, though the College's constrained request does not include additional grant funding to signify this.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Debt Service. The unrestricted budget includes \$4.0 million for debt service costs, \$0.3 million more than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds, revenue bonds, and Certificates of Participation for the College's energy performance contract upgrades. The increase reflects payments on Certificates of Participation for the College's energy performance contract upgrades, consistent with the current debt service schedule.

The Governor recommends \$6.9 million, which is \$3.2 million more than enacted, primarily to reflect the issuance of additional debt for the first phase of the College's academic buildings renovation and modernization project. The recommendation double counts costs for the energy performance contract and overstates available resources by a like amount. This occurred with the revised recommendation as well.

Repairs and Maintenance. The unrestricted budget includes \$2.3 million for repairs and maintenance for the College's buildings. The request is \$0.3 million or 12.4 percent less than the revised allocation and \$0.1 million or 4.7 percent greater than spent in FY 2016. The decrease from the revised allocation reflects planned completion of some work in FY 2017 and the College's choice to reprogram funding to support new student-centric initiatives; the revised allocation includes \$0.3 million more than enacted for repairs and maintenance to the College's buildings and facilities to address some of the most pressing deferred maintenance issues.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

All Other Operations. Excluding the items noted previously, the unrestricted budget includes \$16.9 million for all other operations, which is \$0.9 million or 3.5 percent less than the revised allocation. Spending for these same items is 2.3 percent more than spent in FY 2015 and 2.6 percent more than spent in FY 2016. Decreases were made for program supplies and equipment, miscellaneous expenditures like office supplies, minor reductions to motor vehicle related expenditures, and various contracted services expenses.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$1.8 million in revenues beyond the College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Restricted Budget. The restricted budget request is for \$58.8 million, which is \$5.7 million or 10.7 percent more than enacted and \$5.5 million more than the revised allocation. Compared to the enacted budget, the request includes \$5.7 million more for capital expenditures funded from Rhode Island Capital Plan funds, \$1.2 million more for capital projects funded from auxiliary reserve balances, and \$0.9 million more for sponsored research programs. These increases are partially offset by \$2.1 million less than enacted for staffing and operating costs for the College's campus bookstore, which was recently privatized.

The \$5.7 million increase for capital projects funded from Rhode Island Capital Plan funds reflects \$6.1 million for renovations to Adams Library and \$1.5 million more for the infrastructure modernization project, partially offset by \$1.9 million less for asset protection projects. The additional capital expenditures from auxiliary reserve balances reflects a project to replace the roofs of the Student Union and the Donovan Dining Center. It should be noted that the request appears to mistakenly exclude \$5.0 million from Rhode Island Capital Plans for the College to begin architectural and engineering work and construction of a new residence hall.

The increased funding for sponsored research programs includes \$1.0 million more from federal research grants and \$0.1 million less from state sponsored research grants. This projection reflects account awards in hand or anticipated as well as current and future proposals. Though the increase from the enacted budget is significant, the request is actually \$0.1 million less than the revised allocation and is largely consistent with recent historical experience. The request is \$0.3 million or 3.1 percent less than FY 2016 spending and \$0.7 million or 7.2 percent more than FY 2015 spending.

As noted previously, the College's campus bookstore was recently privatized; this accounts for a \$2.1 million reduction compared to the enacted budget. The College signed a four-year contract with Barnes and Noble to operate the bookstore during the course of FY 2016. All of the full-time equivalent employees that previously staffed the bookstore as College employees have since transitioned to other positions within state government. Currently, the bookstore is staffed entirely by contracted employees from Barnes and Noble. The terms of the contract require that Barnes and Noble pay the College commission on total gross sales, including 15.0 percent for the first \$2.0 million of sales and 16.0 percent for all sales over \$2.0 million.

The Governor recommends \$3.0 million more than requested from Rhode Island Capital Plan funds to reflect the inclusion of funding for the College's New Residence Hall project. All projects are described in detail in the Capital Budget section of this publication.

Community College of Rhode Island

Community College of Rhode Island	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Governor
Expenditures by Category				
Salaries and Benefits	\$ 91,872,232	\$ 90,767,118	\$ 94,314,953	\$ 94,314,953
Contracted Services	3,356,121	2,528,366	2,366,310	2,366,310
Subtotal	\$ 95,228,353	\$ 93,295,484	\$ 96,681,263	\$ 96,681,263
Other State Operating	23,626,822	20,214,851	20,353,122	20,353,122
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	35,856,191	31,923,730	31,945,603	31,945,603
Capital	9,741,856	9,008,282	8,527,044	8,902,044
Capital Debt Service	2,498,429	2,450,674	2,496,229	2,887,870
Operating Transfers	-	-	-	-
Total	\$ 166,951,651	\$ 156,893,021	\$ 160,003,261	\$ 160,769,902
Sources of Funds				
General Revenue	\$ 50,627,239	\$ 50,579,484	\$ 53,576,824	\$ 51,518,555
Tuition and Fees	59,589,864	52,372,909	53,434,485	53,434,485
Other Unrestricted	4,397,959	4,459,577	4,114,736	6,564,646
Total Unrestricted	\$ 114,615,062	\$ 107,411,970	\$ 111,126,045	\$ 111,517,686
Restricted	52,336,589	49,481,051	48,877,216	49,252,216
All Sources	\$ 166,951,651	\$ 156,893,021	\$ 160,003,261	\$ 160,769,902
FTE Authorizations	765.1	765.1	770.1	765.1
<i>Limited to Third-Party Funds</i>	89.0	89.0	84.0	89.0
Total	854.1	854.1	854.1	854.1

Summary. The Community College requests \$160.0 million from all sources and 854.1 full-time equivalent positions for FY 2018. This is a decrease of \$6.9 million or 4.2 percent from the enacted budget and an increase of \$3.0 million or 2.0 percent from the revised allocation. General revenues, requested at \$53.6 million, are \$2.9 million more than both the enacted budget and the revised allocation. Compared to the enacted budget, restricted source expenditures are \$3.5 million less. The staffing request is consistent with the enacted authorization in terms of total requested positions; however, the request assumes 84.0 positions would be limited to third-party sources, 5.0 fewer than the enacted authorization.

The Governor recommends \$160.8 million, which is \$6.2 million less than enacted and \$0.8 million more than requested. The Governor recommends \$51.5 million from general revenues, which is \$0.9 million more than enacted and \$2.1 million less than requested. Adjusted for increased expenditures for general obligation bond debt service, general revenues are \$0.5 million more than enacted but \$2.4 million less than requested. She recommends staffing consistent with the enacted authorization of 854.1 full-time equivalent positions.

Tuition and Enrollment. The FY 2018 budget includes revenues related to a tuition and mandatory fee increase of 7.0 percent or \$298 and 5.7 percent or \$660 for in-state and out-of-state students, respectively. For FY 2018, the Community College is projecting total enrollment of 8,857 students, 271 fewer than the estimate in the revised allocation.

Community College				
Tuition and Fees	FY 2017	FY 2018	Change to	
			FY 2017	
Resident				
Tuition	\$ 3,950	\$ 4,148	\$ 198	5.0%
Fees	316	416	100	31.6%
Total	\$ 4,266	\$ 4,564	\$ 298	7.0%
Nonresident				
Tuition	\$ 11,180	\$ 11,740	\$ 560	5.0%
Fees	316	416	100	31.6%
Total	\$ 11,496	\$ 12,156	\$ 660	5.7%
Enrollment	9,128	8,857	(271)	-3.0%

As in its FY 2017 request, the Community College proposes further a tuition rate increase to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. The Council on Postsecondary Education approved the tuition rates as shown in the table above at its November 2016 meeting and also voted to reserve “the right to readjust tuition and fees as needed upon notification of the Governor’s recommendation and, later, upon the action of the legislature.”

The Governor’s budget assumes tuition and fee increases consistent with Council approval.

Staffing. The request for 854.1 full-time equivalent positions is consistent with the enacted level. The request also assumes that 84.0 of the total positions would be limited to funding from third-party sources, 5.0 fewer than the enacted authorization to reflect a requested shift of 5.0 positions formerly funded from an expiring federal grant to unrestricted sources. *The Governor recommends 854.1 full-time equivalent positions, consistent with the enacted authorization. As of the pay period ending January 7, 2017, the Community College had 737.7 filled positions.*

Unrestricted Budget. The unrestricted budget accounts for \$111.1 million, which is \$3.5 million or 3.0 percent less than the enacted budget and \$3.7 million or 3.4 percent more than the revised allocation. Sources of funds for the increase to the revised allocation include \$2.9 million more from general revenues, \$1.0 million more from tuition and fees and \$0.3 million less from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including an 8.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the Community College is consistent with the unconstrained request in terms of total funding, but includes \$6.4 million less from general revenues offset by \$6.4 million more from tuition and fees. The Community College proposes further tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions.

The Governor recommends \$111.5 million in unrestricted expenditures, which is \$3.1 million less than enacted and \$0.4 million more than requested. General revenues are \$0.9 million more than enacted and \$2.1 million less than requested. Adjusted for increased expenditures for general obligation bond debt service, general revenues are \$0.5 million more than enacted and \$2.4 million less than requested. The Governor’s recommendation replaces the \$2.4 million general revenue shortfall to the request with other, unidentified unrestricted resources. This assumes the Community College will generate more revenue than its current projection, or constrain spending from the request in order not to exceed available resources.

It should be noted that the Governor’s recommendation also includes \$6.0 million from the proposed Rhode Island Promise Scholarship program for “preparedness grants” to be distributed to the institutions in order to support the development of programs for things such as counseling, advising, or other purposes that would help them prepare for the implementation of the scholarship program; the amount expected to be allocated to the Community College appears to be \$2.0 million from general revenues.

Community College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (7,155,337)	\$ (7,203,092)	\$ (47,755)
Connect to College Funding Transition (5.0 FTE)	119,899	119,899	-
Other Salaries and Benefits	3,725,471	3,725,471	-
Utilities	152,319	152,319	-
Student Aid	21,873	21,873	-
Unpaid Accounts	(135,000)	(135,000)	-
Debt Service	(2,200)	437,196	439,396
All Other Operations	(216,042)	(216,042)	-
Total	\$ (3,489,017)	\$ (3,097,376)	\$ 391,641

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 Council 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 Council specifies as requested, staff analysis starts from the allocations.

The Community College requests \$107.5 million from unrestricted sources, \$7.2 million less than enacted. This includes the enacted amount from general revenues, \$7.2 million less from tuition and fees, and \$61,618 more from other unrestricted sources.

The decrease in expenditures funded from tuition and fees in the revised request reflects two factors. First, the enacted budget assumed use of significant additional tuition and fee revenues beyond those which the Community College could produce given initial FY 2017 enrollment projections and the tuition freeze. This left the Community College with a \$3.8 million imbalance between unrestricted expenditures and potential revenues. Second, the Community College experienced a significant decrease in enrollment between the assumptions in the enacted budget and the revised request. This disconnect reflects the enrollment decline that occurred between FY 2015 and FY 2016, on which the enacted budget and revised request enrollment assumptions are based, respectively. The College had 9,882 full-time equivalent enrollments in FY 2015 and 9,128 in FY 2016, a decrease of 736 students. This enrollment decline reduced the Community College's potential tuition and fee revenues by roughly \$3.4 million.

Together, the overstated revenues and the enrollment decline created a \$7.2 million deficit. The Community College addressed this deficit in its revised request by constraining spending for various items. Among the most significant reductions are \$1.3 million less than enacted for unrestricted capital expenditures reflecting a reprioritization of available funding and the availability of additional asset protection funding provided in the enacted budget, \$0.9 million less for information technology upgrades and replacements reflecting a delay of desktop and lab computers purchases, \$0.9 million less for utility expenditures reflecting FY 2016 experience, \$1.8 million less for salaries and benefits primarily reflecting lower anticipated need for adjunct teaching faculty because of enrollment declines, \$0.3 million less for motor vehicle replacements, \$0.4 million less for building maintenance and upkeep, and \$1.5 million less for all other unrestricted operating expenditures. Though the revised allocation is significantly less than

the enacted budget, it is still \$2.7 million or 2.6 percent more than FY 2016 spending and \$1.5 million or 1.5 percent more than FY 2015 spending.

The Governor recommends \$47,755 less than requested from general revenues for updated general obligation bond debt service. The remainder of the recommendation is consistent with the Community College's request.

Connect to College Funding Transition (5.0 FTE). The unrestricted budget includes \$119,899 to partially support salary and benefit costs for 5.0 positions associated with the Community College's "Mainstream Connect to College Initiative," which provides support services to disadvantaged students. Such services include academic advising, financial literacy training, internship opportunities, skills workshops, career counseling, and various community outreach efforts. This program was previously fully supported by the federal College Access Challenge Grant, funding for which expired in October 2016. This represents only part of the total annual cost for these positions, which the Community College indicates would be \$322,753 in FY 2018. Upon full expenditure of remaining federal grant funds for this program, it is likely that the Community College will request to shift the full cost of these staff positions to the unrestricted budget.

The Governor recommends funding as requested; however, her staffing recommendation does not include the requested reduction of authorization for third-party funded positions or increase non-third party funded positions. As noted, the recommendation assumes availability of \$2.4 million in revenues beyond the Community College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Other Salaries and Benefits. Unrestricted expenditures for other salaries and benefits total \$88.5 million, \$3.7 million or 4.4 percent more than the revised allocation. The increase reflects the third and final annual 3.0 percent cost-of-living adjustment for some faculty and staff and associated benefit adjustments, a scheduled rate increase for retiree health insurance, an increase for medical insurance coverage costs per Budget Office instructions, and the restoration of turnover savings equivalent to approximately two unfunded positions.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$2.4 million in revenues beyond the Community College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Utilities. The unrestricted budget includes \$2.4 million for utility costs for FY 2018, \$0.2 million or 6.6 percent more than the revised allocation. This represents a 6.8 percent increase over FY 2016 spending and a 17.7 percent decrease to FY 2015 spending. The increase reflects recent historical expenditures and anticipated usage. It should be noted that in FY 2016 the Community College spent \$0.8 million less for utilities than the final FY 2016 appropriation, reflecting lower than anticipated utility prices and a warm winter, which produced savings on heating costs. *The Governor recommends funding as requested.*

Student Aid. The unrestricted budget includes \$4.2 million for student aid, \$21,873 more than the revised allocation, and \$0.8 million or 24.3 percent more than FY 2016 expenditures. The additional funding is consistent with the tuition and fee increases included in the Community College's request. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue.

The institutions also received additional funding for student aid in FY 2016 through the Last Dollar Scholarship program funded in the Office of Postsecondary Commissioner's budget. The Community College's allocation from the Last Dollar Scholarship program is \$3.3 million. The Community College

provided Last Dollar Scholarship grant funds to 3,245 students with an average award of \$1,029 during FY 2016. In order to remain eligible for continued aid through the program, students must remain enrolled in a minimum of six credit hours and maintain a 2.0 cumulative grade point average.

It should be noted that the constrained request assumes tuition increases that result in an additional \$6.4 million from tuition and fee revenues. A further increase in student aid would be expected given an increase in tuition, though the Community College's constrained request does not include additional grant funding to signify this.

The Governor recommends funding as requested. The Governor's budget also includes funding for the Rhode Island Promise Scholarship program, from which the Community College will receive \$3.0 million in FY 2018 for the first year of direct student aid for qualifying students. As noted, the recommendation assumes availability of \$2.4 million in revenues beyond the Community College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Unpaid Accounts. The unrestricted budget request includes \$0.7 million 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 \$0.1 million or 15.9 percent less than the revised allocation. The Community College indicates that this reduction primarily reflects changes in bad debt collection practices, including employing multiple collection agencies, incentive programs to encourage students to stay current with their tuition bills, and enhanced outreach activities to increase debt collection rates. The FY 2017 revised allocation and FY 2018 request for unpaid accounts are largely consistent with FY 2014, FY 2015, and FY 2016 expenditures.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$2.4 million in revenues beyond the Community College's current projections. Absent additional resources, recommended spending will have to be reduced.

Debt Service. The unrestricted budget includes \$2.5 million for debt service expenditures. This is \$2,200 less than the revised allocation for payments on Certificates of Participation for the Community College's energy conservation project, consistent with the current debt service schedule. The unrestricted budget also funds debt service payments on general obligation bonds and revenue bonds. *The Governor recommends \$2.9 million, \$0.4 million more than requested to reflect the current debt service schedule.*

All Other Operations. Excluding the items noted previously, the request includes \$12.6 million for all other operations, which is \$0.2 million or 1.7 percent less than the revised allocation. This includes spending on building maintenance and grounds keeping services, legal services, testing services, vehicle purchases, capital improvements, and information technology purchases. These same expenditures are 25.9 percent less than spent in FY 2015 and 27.7 percent less than spent in FY 2016. The reduction from the revised allocation primarily reflects \$0.1 million less for computer equipment to reflect delayed purchases and \$54,630 less for building maintenance and grounds keeping primarily reflecting reduced projections for snow removal costs.

The Governor recommends funding as requested. As noted, the recommendation assumes availability of \$2.4 million in revenues beyond the Community College's current projections. Absent additional resources, recommended spending will have to be reduced. Some expenditures may qualify for the Governor's recommended Rhode Island Promise preparedness grants.

Restricted Budget. The restricted budget request is for \$48.9 million, which is \$3.5 million or 6.6 percent less than the enacted budget and \$0.6 million or 1.2 percent less than the revised allocation. This entire decrease is primarily attributable to a \$3.8 million decline in Pell Grant funding compared to the enacted

budget. The Community College indicates that this reflects the enrollment declines experienced during FY 2016. The decreased request for student aid is partially offset by \$0.4 million more for salaries and benefits and \$0.8 million more for capital projects funded from Rhode Island Capital Plan funds, consistent with the capital budget request. Requested funding for all other restricted source contracted services and operations is also \$0.5 million less than enacted.

The decreased request for restricted source student aid almost entirely reflects a \$3.8 million decrease in anticipated Pell Grant funding compared to the enacted budget. The Community College's revised allocation reflects this same reduction. The request appears to reflect FY 2016 experience, when the Community College received \$2.4 million less from Pell Grant funding than anticipated in the FY 2016 final budget. The revised allocation and FY 2018 request are \$1.2 million or 4.8 percent less than FY 2016 spending. The Community College indicates that this decrease reflects enrollment declines experienced during FY 2016.

The \$0.8 million increase for capital improvements funded from Rhode Island Capital Plan funds is attributable to an increase of \$1.0 million for the College's Knight Campus Renewal project. The Community College's revised allocation also includes \$1.2 million more than enacted for this project. This increase is partially offset by \$0.2 million less for asset protection funding in FY 2018. Both the revised allocation and the FY 2018 request are consistent with the Community College's capital request. *The Governor recommends \$0.4 million more than requested from Rhode Island Capital Plan funds to reflect new funding for the Community College's Knight Campus Biology and Chemistry Lab Renovation project. The projects are described in detail in the Capital Budget section of this publication.*

Rhode Island State Council on the Arts

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 934,111	\$ 905,476	\$ 936,299	\$ 932,540
Contracted Services	45,300	45,238	45,200	45,200
Subtotal	\$ 979,411	\$ 950,714	\$ 981,499	\$ 977,740
Other State Operations	130,727	158,182	143,575	143,570
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,657,000	1,682,000	2,055,000	1,645,000
Capital	263,400	940,900	300,000	306,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 3,030,538	\$ 3,731,796	\$ 3,480,074	\$ 3,072,310
Sources of Funds				
General Revenue	\$ 1,951,884	\$ 1,939,368	\$ 2,358,820	\$ 1,945,056
Federal Aid	775,454	786,728	781,454	781,454
Restricted Receipts	-	25,000	-	-
Other	303,200	980,700	339,800	345,800
Total	\$ 3,030,538	\$ 3,731,796	\$ 3,480,074	\$ 3,072,310
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island State Council on the Arts requests \$3.5 million, \$0.4 million more than enacted from all sources, including \$0.4 million more from general revenues, \$6,000 more from federal funds, and \$36,600 more from Percent for Art funds. The request includes the authorized level of 8.6 full-time equivalent positions.

The Council also submitted a constrained request that totals \$1.8 million from general revenues, \$0.5 million less than the unconstrained request.

The Governor recommends \$3.1 million from all sources, which is \$41,772 more than enacted, including \$6,828 less from general revenues. The recommendation includes the enacted level of 8.6 full-time positions.

Target Issues. The Budget Office provided the Council with a general revenue target of \$1.8 million. The amount includes current services adjustments of \$7,220 and an 8.0 percent target reduction, adjusted for certain exclusions, of \$0.1 million.

The constrained budget submitted by the Council is consistent with 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 above the target.*

FY 2018 Budget	Budget Office		RISCA	Difference		
FY 2017 Enacted	\$	1,951,884	\$	1,951,884	\$	-
Current Service Adjustments		7,220		(3,064)		-
New Initiatives		-		410,000		410,000
Change to FY 2017 Enacted	\$	7,220	\$	406,936	\$	410,000
FY 2018 Current Service/Unconstrained Request	\$	1,959,104	\$	2,358,820	\$	410,000
Target Reduction/Initiatives		(110,728)		(510,444)		(399,716)
FY 2018 Constrained Target/Request	\$	1,848,376	\$	1,848,376	\$	-
Change to FY 2017 Enacted	\$	(103,508)	\$	(103,508)	\$	-

Discretionary Grants. The Council requests \$1.0 million from general revenues for discretionary grants, which is \$0.4 million more than enacted in order to achieve its goal of \$1.0 million in discretionary funding. The \$0.4 million request includes \$12,000 for new fellowship awards and unspecified increases to drive participation in other programs.

The Council administers a number of discretionary grant programs awarded through application processes and funded through federal funds, general revenues, or restricted receipts. Although each grant program has a different timeframe, applications and awards for each follow a similar process.

Applications are received from a variety of community organizations and individual artists. Grants are awarded to organizations for general operating support and specific projects that serve communities throughout the state. Artists can apply for folk arts apprenticeships or highly competitive fellowship grants, which are awarded in different arts disciplines including painting, music, and sculpture, and for multi-disciplinary individual artist projects. Grants to schools provide opportunities for artists to bring the arts into arts and non-arts classrooms to enrich curricula.

As part of its constrained request, the Council excludes its request for increased funds and further reduces the request by \$110,439. *The Governor recommends the enacted level of funding.*

Other Grants. The Council requests \$2.1 million from all fund sources for other arts grant programs. This includes \$12,000 less than enacted from federal National Endowment for the Arts funds.

Competitive grants are awarded to artists and organizations throughout the state, ranging from individual artists to large venues such as the Providence Performing Arts Center. As the Council is not typically informed of its award prior to its operating budget submission each year, it assumes the enacted level of funding from this source.

The 2016 Assembly ended the community service grant program and provided appropriations of \$375,000 for Providence Waterfire and \$200,000 to support the Council's competitive grant program in place of the prior funding. The request includes this funding. *The Governor recommends funding as requested.*

Film and Television. The Council requests \$0.3 million from general revenues, \$1,234 less than enacted, for all Film and Television Office expenses. The request includes \$0.3 million for the authorized level of 2.6 full-time equivalent positions, which are currently filled. This is \$1,472 more than enacted, which is reflective of updated benefit rates provided by the Budget Office.

The request also includes \$26,302 for all other operations, which is \$2,706 less from general revenues than enacted. The request is consistent with the FY 2017 revised request reflecting a \$2,000 reduction for an expired copier lease and decrease in other supplies offset by an increase in cellular communication costs. The Office and Council had jointly leased a copy machine beginning in 2009; the lease expired in 2013. The Council's revised FY 2017 request includes funds to purchase a replacement copier.

The Governor recommends \$1,383 less than requested from general revenues to reflect statewide benefits savings.

Percent for Art Program. The Council requests \$0.3 million for the Percent for Art program for public art projects at various new state owned facilities, \$36,600 more than enacted for new or ongoing projects. The Council typically requests \$0.3 million for Percent for Art programming, as it has difficulty projecting the construction schedule of various projects. *The Governor recommends \$42,600 more than enacted, which is \$6,000 more than requested to reflect the historical expenditure level.*

Other Staffing and Operations. The Council requests \$0.8 million from all fund sources, including \$0.5 million from general revenues, for the remaining 6.0 full-time equivalent positions and operations expenses. This is \$1,830 less from general revenues and \$18,000 more from federal funds.

The request includes \$0.6 million, \$716 more than enacted, for salaries and benefits, including a step increase offset by turnover savings. The request also includes \$0.1 million for all other operations, \$15,554 more than enacted. It includes \$8,000 more than enacted for the Council's partnership with the Rhode Island Foundation in the Cultural Data Project, \$3,320 more for its National Assembly of State Art Agencies membership dues, and increases in travel expenditures offset by other operational decreases.

As part of the constrained request, the Council reduced its operating expenses by \$5.

The Governor recommends \$2,381 less than the unconstrained request from general revenues to reflect statewide benefit savings.

Rhode Island Atomic Energy Commission

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,072,239	\$ 1,077,261	\$ 1,091,329	\$ 1,087,200
Contracted Services	600	600	1,087	1,087
Subtotal	\$ 1,072,839	\$ 1,077,861	\$ 1,092,416	\$ 1,088,287
Other State Operations	183,862	194,935	149,806	149,806
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	76,348	266,243	66,281	66,280
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,333,049	\$ 1,539,039	\$ 1,308,503	\$ 1,304,373
Sources of Funds				
General Revenue	\$ 981,100	\$ 979,682	\$ 986,287	\$ 982,157
Federal Aid	32,422	228,863	-	-
Other	319,527	330,494	322,216	322,216
Total	\$ 1,333,049	\$ 1,539,039	\$ 1,308,503	\$ 1,304,373
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island Atomic Energy Commission requests \$1.3 million including \$1.0 million from general revenues. This is \$24,546 less than enacted including \$5,187 more from general revenues, \$32,422 less from federal funds, and \$2,689 more from University of Rhode Island research funds. The Commission requests the authorized level of 8.6 positions. *The Governor recommends \$1.3 million, which is \$28,676 less than enacted and \$4,130 less than requested.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$907,384. The amount includes current service adjustments of \$5,187 and an 8.0 percent target reduction of \$78,903.

The constrained budget submitted by the agency is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$74,773 above the target.*

FY 2018 Budget	Budget Office	Atomic Energy	Difference
FY 2017 Enacted	\$ 981,100	\$ 981,100	\$ -
Current Service Adjustments	5,187	5,187	-
Change to FY 2017 Enacted	\$ 5,187	\$ 5,187	\$ -
FY 2018 Current Service/Unconstrained Request	\$ 986,287	\$ 986,287	\$ -
Target Reduction/Initiatives	(78,903)	(78,903)	-
FY 2018 Constrained Target/Request	\$ 907,384	\$ 907,384	\$ -
Change to FY 2017 Enacted	\$ (73,716)	\$ (73,716)	\$ -

Salaries and Benefits. The Commission requests \$1.1 million for salary and benefit costs, including \$0.9 million from general revenues and \$0.2 million from University research funds. This is \$19,090 more than

enacted, including \$17,168 more from general revenues and \$1,922 more from University research funds. The increase over the enacted budget reflects scheduled step increases for 3.0 positions including the Reactor Supervisor, Facility Engineer, and Principal Reactor Operator and benefit changes consistent with Budget Office planning values.

The Commission's constrained request includes \$121,669 less from general revenues achieved by eliminating 1.0 of the Commission's 8.6 positions. The Facility Engineer would be laid off, but this figure does not factor in costs associated with funding for unemployment insurance.

The Governor recommends \$4,129 less from general revenues than the unconstrained request to reflect statewide benefit savings.

Federal Grants. The Commission's request includes no funding from federal grants for FY 2018, for which the enacted budget included \$32,422. The Commission indicates that at the time it submitted its request, it had not identified or written any grant proposals for FY 2018, though it did anticipate doing so before November 2017. Based on historical spending, it is likely that the Commission will receive federal funding for FY 2018. *The Governor recommends funding as requested.*

Capital. The Commission requests \$50,000 from Rhode Island Capital Plan funds for asset protection projects, consistent with the enacted amount. The Commission spent \$69,036 on asset protection projects in FY 2016, \$61,069 in FY 2015, \$53,914 in FY 2014, and \$59,257 in FY 2013. *The Governor recommends funding as requested. A detailed analysis of the project is included in the Capital Budget Section of this publication.*

All Other Operations. The Commission requests \$217,174 including \$89,399 from general revenues and \$77,775 from University research funds for all other operations. This is \$11,214 less than enacted including \$11,981 less from general revenues and \$787 more from University research funds. This includes savings from a reduced contract cost for radiation monitoring services. The Commission's new contract for these services is with a larger company that offered a lower price point than previous suppliers. Other reductions include out-of-state travel expenses and savings on utility expenses. These savings are partially offset by increases for furnishings and equipment that will be installed in two laboratories and a machine shop that the Commission intends to refurbish in FY 2017.

The Commission's constrained request includes \$42,766 more from general revenues to return the Commission's budget to its constrained target after savings are achieved through the elimination of one authorized position. This includes \$16,266 to invest in facility upgrades like a Gammaspectroscopy System and an irradiator facility. This also includes \$14,000 more for software purchases and \$13,000 for a blueprint digitizer and a plotting machine for printing drawings. *The Governor recommends funding essentially as requested.*

Historical Preservation and Heritage Commission

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,676,353	\$ 1,675,116	\$ 1,754,251	\$ 1,691,780
Contracted Services	3,450	-	1,500	-
Subtotal	\$ 1,679,803	\$ 1,675,116	\$ 1,755,751	\$ 1,691,780
Other State Operations	116,780	71,304	99,600	61,166
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	1,002,745	1,470,663	784,393	784,393
Capital	4,370	1,000	1,575	1,000.00
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,803,698	\$ 3,218,083	\$ 2,641,319	\$ 2,538,339
Sources of Funds				
General Revenue	\$ 1,202,559	\$ 1,162,001	\$ 1,273,205	\$ 1,168,706
Federal Aid	1,093,966	1,547,028	859,444	860,963
Restricted Receipts	427,175	429,200	427,700	427,700
Other	79,998	79,854	80,970	80,970
Total	\$ 2,803,698	\$ 3,218,083	\$ 2,641,319	\$ 2,538,339
FTE Authorization	16.6	15.6	16.6	15.6

Summary. The Historical Preservation and Heritage Commission requests \$2.6 million, which is \$0.2 million less than enacted from all sources. This includes \$70,646 more from general revenues, \$234,522 less from federal funds, \$525 more from restricted receipts, and \$972 more from other funds. The request includes the authorized level of 16.6 full-time equivalent positions.

The Commission also submitted a constrained request that totals \$1.1 million from general revenues and is \$0.2 million less from general revenues than the unconstrained request.

The Governor recommends \$2.5 million and 15.6 full-time equivalent positions. This is \$0.1 million less than requested from all sources, including \$0.1 million less from general revenues. The recommendation reflects the transfer of the management of Eisenhower House and 1.0 full-time position to the Department of Environmental Management.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$1,121,134, including current service adjustments of \$13,456 and an 8.0 percent target reduction of \$0.1 million.

The constrained budget submitted by the Commission is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$42,572 more than the target.*

FY 2018 Budget	Budget Office		HPHC		Difference
FY 2017 Enacted	\$	1,202,559	\$	1,202,559	\$ -
Current Service Adjustments		13,456		70,646	57,190
<i>Change to FY 2017 Enacted</i>	\$	13,456	\$	70,646	\$ 57,190
FY 2018 Current Service/Unconstrained Request	\$	1,216,015	\$	1,273,205	\$ 57,190
Target Reduction/Initiatives		(94,881)		(152,071)	(57,190)
FY 2018 Constrained Target/Request	\$	1,121,134	\$	1,121,134	\$ -
<i>Change to FY 2017 Enacted</i>	\$	(81,425)	\$	(81,425)	\$ -

Eisenhower House. The Commission requests \$143,562, which is \$32,475 less than enacted from general revenues for staffing and operations at Eisenhower House. The decrease is reflective of turnover savings and increased operational efficiency and lower maintenance costs associated with capital investments.

The request includes staffing consistent with current operations, 1.0 full-time position and two seasonal maintenance positions. Turnover savings are anticipated from filling the vacant full-time position at a lower level than the incumbent.

As part of its constrained request, the Commission proposes privatizing the operation of the facility and excludes all funding. The Commission notes that the state loses any revenue generated by the House under privatization; however, the structure of the request for proposal and the bid level would be the determinate factor of the difference on final revenue. The House generated \$153,500 in revenue over a partial year of operation in FY 2016, \$17,964 more than expenses to run the House.

Consistent with the FY 2017 revised recommendation, the Governor transfers the management of Eisenhower House operations including the transfer of 1.0 full-time position to the Department of Environmental Management, and includes \$288,150 and 1.0 position in that agency. The Governor also proposes legislation transferring the authority to collect rental fees from the Commission to the Department of Environmental Management beginning in FY 2018.

Other Salaries and Benefits. The Commission requests \$1.7 million, which is \$84,359 more than enacted from all sources for salaries and benefits to fully fund the remaining authorized 15.6 full-time equivalent positions. This includes \$98,677 more from general revenues, \$1,117 more from Department of Transportation reimbursement funds, and \$675 more from restricted receipts offset by \$16,110 less from federal funds. Consistent with the revised FY 2017 request, the FY 2018 request appears to understate costs as a result of using improper benefit rates.

The request shifts staffing costs to state sources reflective of the staff utilization required to fulfill the Commission's obligation to its federal Survey and Planning grant which has been annually level funded. The FY 2017 enacted budget included turnover savings equivalent to 0.8 of a full-time position; the Commission's 0.6 position has been vacant. The FY 2018 request restores the turnover including a full year funding for the 0.6 full-time equivalent position, who will be responsible to manage research information and maintain a geographic information system assessing archeological sites.

As part of its constrained request, the Commission includes general revenue savings of \$8,000 and increases federal funds by \$1,519. This represents keeping 1.0 position vacant for two pay periods based on the Commission's average cost per position. As of the pay period ending January 7, the Commission had 15.0 filled positions. *The Governor recommends \$41,091 more than the unconstrained request, including \$39,572 more from general revenues, which includes corrected benefit calculations and additional statewide savings.*

Preservation Programs. The Commission requests \$0.5 million, which is \$7,290 more than enacted from all funds for preservation and heritage assistance programs. This includes the enacted level of \$30,000 for

the Fort Adams Trust and \$17,000 for the Commission's Historic Preservation Conference from general revenues. It also adds \$7,500 from federal funds for the National Maritime Heritage Grant excluded from the enacted budget, as well as the enacted level of \$0.4 million from restricted receipts for the revolving loan fund, \$59,693 from surveying and planning funds, \$210 less than enacted. *The Governor recommends funding as requested.*

Hurricane Sandy Disaster Relief. The Commission requests \$0.3 million, which is \$0.2 million less than enacted from federal funds for its Hurricane Sandy Disaster Relief Grant, reflective of reported FY 2016 and anticipated FY 2017 expenditures.

The Commission reported delays in Hurricane Sandy project construction during FY 2016, which has delayed spending of \$0.7 million of project funds later requested in the FY 2017 revised budget. The Commission reports the requested funds are necessary to successfully close out the grant program. *The Governor recommends funding as requested.*

Other Operations. The Commission requests \$60,875, \$4,299 more than enacted for all other operations. This includes \$4,444 more from general revenues and \$145 less from other funds including \$1,986 more for communication and information technology services, \$556 more for miscellaneous office expenditures, and \$1,757 more for travel related expenses reflecting a decrease in out-of-state travel offset by an increase in mileage reimbursement.

As part of its constrained request, the Commission includes an additional \$509 less from travel expenses.

The Governor recommends funding consistent with the constrained request.

Office of the Attorney General

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Criminal	\$ 24,006,424	\$ 34,818,071	\$ 34,372,309	\$ 33,223,064
Civil	6,051,845	6,005,570	6,560,278	5,883,237
Bureau of Criminal Identification	1,758,215	1,644,336	1,980,815	1,670,102
General	3,326,299	3,612,144	3,880,089	3,352,794
Total	\$ 35,142,783	\$ 46,080,121	\$ 46,793,491	\$ 44,129,197
Expenditures by Category				
Salaries and Benefits	\$ 25,862,817	\$ 26,061,886	\$ 28,579,799	\$ 26,417,624
Contracted Services	423,126	2,581,220	736,457	486,457
Subtotal	\$ 26,285,943	\$ 28,643,106	\$ 29,316,256	\$ 26,904,081
Other State Operations	2,094,092	2,340,455	2,492,834	2,390,715
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	6,762,748	15,096,560	14,984,401	14,834,401
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 35,142,783	\$ 46,080,121	\$ 46,793,491	\$ 44,129,197
Sources of Funds				
General Revenue	\$ 25,595,982	\$ 26,146,783	\$ 28,709,045	\$ 26,194,751
Federal Aid	1,692,545	3,351,007	1,779,505	1,779,505
Restricted Receipts	7,554,256	16,164,801	16,004,941	16,004,941
Other	300,000	417,530	300,000	150,000
Total	\$ 35,142,783	\$ 46,080,121	\$ 46,793,491	\$ 44,129,197
FTE Authorization	235.1	235.1	244.1	235.1

Summary. The Office of the Attorney General's request is \$46.8 million from all sources, including \$28.7 million from general revenues. This is \$11.7 million more than enacted, including \$3.1 million more from general revenues, \$0.1 million more from federal funds, and \$8.5 million more from restricted receipts.

The Office requests 244.1 full-time equivalent positions, 9.0 positions above the authorized level. The new positions include an entry level staff attorney, paralegal and investigator for the Criminal Division, two fingerprint experts and a legal secretary for the Bureau of Criminal Identification, a paralegal position for the Civil Division and two new positions for the General Administration program. The request also provides position upgrades and corresponding salary increases for all employees but the Attorney General, whose pay is set in the Constitution.

The Governor recommends \$44.1 million, including \$26.2 million from general revenues. This is \$9.0 million more than enacted and \$2.7 million less than requested from all sources of funds. Expenditures funded from general revenues are \$0.6 million more than enacted and \$2.5 million less than requested. She includes the enacted level of 235.1 positions.

Target Issues. The Budget Office provided the Office with a general revenue target of \$23.8 million. The amount includes current service adjustments of \$0.3 million and an 8.0 percent target reduction of \$2.1 million.

FY 2018 Budget	Budget Office	Office of the Attorney General	Difference
FY 2017 Enacted	\$ 25,595,982	\$ 25,595,982	\$ -
Current Service Adjustments	255,482	1,293,758	1,038,276
New Initiatives	-	1,819,305	1,819,305
Change to FY 2017 Enacted	\$ 255,482	\$ 3,113,063	\$ 2,857,581
FY 2018 Current Service/Unconstrained Request	\$ 25,851,464	\$ 28,709,045	\$ 2,857,581
Target Reduction/Initiatives	(2,056,739)	(1,819,305)	237,434
FY 2018 Constrained Target/Request	\$ 23,794,725	\$ 26,889,740	\$ 3,095,015
Change to FY 2017 Enacted	\$ (1,801,257)	\$ 1,293,758	\$ 3,095,015

The Office's constrained budget is \$3.1 million above the target. The proposals to achieve the reductions are noted below where appropriate. *The Governor's recommendation is \$2.4 million more than the target.*

Position Upgrades. The Office includes \$1.1 million from all sources, \$1.0 million from general revenues, for upgrading 162.1 positions by two pay grades and 80 by one pay grade. This is approximately a five percent pay increase for all employees except for the Attorney General, whose salary is set in statute and is the only position not impacted by this proposal.

The request was also included in the FY 2017 unconstrained budget but was not recommended by the Governor. *The Governor does not include the upgrades.*

Criminal Division - New Positions. The Office requests \$0.3 million from general revenues to support three new positions: an entry level staff attorney, paralegal and an investigator based on projected needs for the Criminal Division. It should be noted that this was also part of the Attorney General's FY 2015, FY 2016 and FY 2017 requests, but was not recommended by the Governor or approved by the Assembly.

The Office reports that additional staff is necessary in order to maintain the desired level of proficiency when handling all legal matters and caseloads. In addition, the Office indicates that agency wide, administrative and legal staff provides 15,000 hours of uncompensated time annually.

The Office's constrained request excludes the positions. *The Governor does not include the new positions.*

Bureau of Criminal Identification - New Positions. The Office requests \$0.2 million from general revenues to support three new positions: two fingerprint experts to provide assistance in implementing the federal mandates that require all healthcare workers to have their background check prior to volunteering and/or employment and a legal secretary. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all fingerprinting matters. The positions were also requested in the Office's FY 2015, FY 2016 and FY 2017 budgets but were not recommended by the Governor.

The Office's constrained request excludes the positions. *The Governor does not include the new positions.*

General Administration - New Positions. The Office includes \$0.2 million from general revenues for two new positions: an operations assistant and information technology staff. The Office reports that as a result of the expansion of the Department, additional staff will be needed in both information technology and operations to insure that the building and information technology structure, including the new Pastore Customer Services Complex, are operating at optimum efficiency.

The Office's constrained request eliminates this position. *The Governor does not include the new positions.*

Civil Division - New 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 that additional staff is necessary given the nature of the litigation matters that are more complex and difficult requiring assistance in the organization and management of the discovery process, assistance with trial preparation, and exhibits and the file maintenance of these voluminous matters.

The Office's constrained request excludes the position. *The Governor does not include the new positions.*

Salaries and Benefits. The Office requests \$26.7 million from all sources, including \$24.4 million from general revenues for other salaries and benefits for the remaining 235.1 positions. This is \$0.8 million more than enacted, primarily from general revenues that includes: \$0.3 million for benefit adjustments consistent with Budget Office planning values, \$0.3 million for position upgrades and step increases and \$0.1 million to restore savings from keeping positions vacant. *The Governor recommends \$0.3 million less than requested and \$0.6 million more than enacted. The recommendation assumes \$0.2 million more in turnover savings and \$0.1 million for statewide benefit savings.*

Google Settlement Funds - New Building. The Office requests \$7.5 million for FY 2017 and \$7.5 million for FY 2018 to construct a new 24,000 square foot facility at the Pastore Center to relocate 35 existing staff from 150 South Main Street. This includes those individuals who perform background and fingerprint checks, investigators and those from the consumer protection unit and diversion unit occupying 18,000 square feet and leaving 6,000 square feet for future expansion and storage.

This is consistent with the capital request. Plans were still being developed for the new building, which is why funding was not included in the enacted budget for this project. *The Governor includes funding as requested.*

Google Settlement Funds - Other Projects. The Office's revised request includes \$7.6 million for projects funded from Google Settlement funds, \$1.3 million more than enacted. Funding includes expenses for office equipment and operating expenses and upgrades to the information technology system, upgrading the phone system, and supporting operating expenses at the 180 South Main Street building. *The Governor includes funding as requested.*

Litigation Expenses. The Office includes \$250,000 from general revenues for trial related expenses due to an ongoing litigation in the matter of Cassie M. v. Raimondo. Funds are expected to pay primarily for expert witnesses and court reporters. On April 21, 2015, the case was dismissed in District Court and Children's Rights appealed the decision.

The ongoing litigation relates to the Department of Children, Youth and Families and witness depositions have been ongoing since the beginning of FY 2014. In this matter, the Office is representing the Governor, the Secretary of the Executive Office of Health and Human Services and the director of the Department of Children, Youth and Families, in their official capacities. *The Governor does not include the funding; supporting documentation indicates that if additional resources are required it can be addressed through the FY 2018 revised budget process. She includes \$250,000 in her revised recommendation.*

Tobacco Litigation Expenses. The Office includes \$74,372 from general revenues, \$34,372 more than enacted, for any potential tobacco litigation expenses for FY 2018. The Office spent \$35,097 for FY 2014, \$35,536 for FY 2015, \$5,600 for FY 2016 and includes \$72,206 in its revised request for this expense. *The Governor does not include the funding; supporting documentation indicates that if additional resources are required it can be addressed through the FY 2018 revised budget process.*

All Other Operations. The Office requests \$2.5 million from all sources, including \$2.1 million from general revenues for all other operations. This includes \$1.4 million for office equipment and supplies, \$0.5 million for general maintenance and rental costs, \$0.2 million for information technology support, \$0.2 million for utility expenses and \$0.2 million for all other expenses. This is \$0.2 million less than enacted, including \$0.1 million more from general revenues. This includes \$0.3 million less from restricted receipts for a new case management system to be paid with Google Settlement funds. *The Governor recommends \$67,747 less than requested from general revenues including statewide energy savings and reductions to other operating expenses, including transportation.*

Asset Protection. The Office requests \$300,000 from Rhode Island Capital Plan funds for its asset protection projects for FY 2018. This is consistent with its capital request and \$150,000 more than the approved capital 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 \$150,000 for the projects; this is \$150,000 less than requested consistent with the approved plan.*

Department of Corrections

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 10,179,627	\$ 10,157,716	\$ 10,355,772	\$ 9,998,475
Parole Board	1,352,487	1,531,766	1,548,128	1,541,618
Custody and Security	134,428,999	137,177,459	133,088,860	138,678,852
Institutional Support	27,722,911	23,398,627	28,884,942	31,378,552
Institutional Based Rehab/Pop	12,170,954	10,511,478	12,441,116	10,397,009
Healthcare Services	21,909,573	23,186,402	24,410,032	24,260,253
Community Corrections	17,026,104	17,402,677	18,043,125	17,963,501
Total	\$ 224,790,655	\$ 223,366,125	\$ 228,771,975	\$ 234,218,260
Expenditures by Category				
Salaries and Benefits	\$ 180,484,706	\$ 183,111,371	\$ 180,453,659	\$ 186,231,282
Contracted Services	13,322,887	12,932,183	15,554,832	13,195,969
Subtotal	\$ 193,807,593	\$ 196,043,554	\$ 196,008,491	\$ 199,427,251
Other State Operations	17,540,765	17,519,297	17,883,304	17,277,644
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,241,457	1,449,112	1,449,112	1,449,112
Capital	12,200,840	8,354,162	13,431,068	16,064,253
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 224,790,655	\$ 223,366,125	\$ 228,771,975	\$ 234,218,260
Sources of Funds				
General Revenue	\$ 211,700,506	\$ 213,349,798	\$ 214,158,779	\$ 216,818,823
Federal Aid	1,130,008	1,884,570	1,393,828	1,546,884
Restricted Receipts	60,141	96,336	94,368	94,368
Other	11,900,000	8,035,421	13,125,000	15,758,185
Total	\$ 224,790,655	\$ 223,366,125	\$ 228,771,975	\$ 234,218,260
FTE Authorization	1,423.0	1,423.0	1,423.0	1,426.0
Prison Population	3,200	3,058	3,059	3,059

Summary. The Department requests \$228.8 million, \$4.0 million or 1.8 percent more than enacted from all sources of funds, including \$2.5 million more from general revenues. The Department requests 1,423.0 full-time equivalent positions, consistent with the authorized level. The Department's FY 2018 request is based on a population of 3,059, 141 inmates below the enacted level.

The Governor recommends \$234.2 million from all sources, including \$216.8 million from general revenues. This is \$5.4 million more than requested, including \$2.7 million more from general revenues. She recommends authorization for 1,426.0 full-time equivalent positions, which is 3.0 more than enacted and requested. The Governor assumes a population of 3,059, consistent with the Department's request.

Target Issues. The Budget Office provided the Department with a general revenue target of \$196.3 million. The amount includes current service adjustments of \$1.6 million and an 8.0 percent target reduction, adjusted for certain exclusions, of \$17.0 million.

The constrained budget submitted by the Department is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$20.5 million above the Budget Office target.*

FY 2018 Budget	Budget Office	Department of Corrections	Difference
FY 2017 Enacted	\$ 211,700,506	\$ 211,700,506	\$ -
Current Service Adjustments	1,622,209	1,647,273	25,064
New Initiatives	-	811,000	811,000
<i>Change to FY 2017 Enacted</i>	<i>\$ 1,622,209</i>	<i>\$ 2,458,273</i>	<i>\$ 836,064</i>
FY 2018 Current Service/Unconstrained Request	\$ 213,322,715	\$ 214,158,779	\$ 836,064
Target Reduction/Initiatives	(17,045,960)	(17,882,024)	(836,064)
FY 2018 Constrained Target/Request	\$ 196,276,755	\$ 196,276,755	\$ -
<i>Change to FY 2017 Enacted</i>	<i>\$ (15,423,751)</i>	<i>\$ (15,423,751)</i>	<i>\$ -</i>

Institutional Corrections

Population. The enacted budget is based on a population of 3,200. The FY 2018 request is based on more current data and assumes a population of 3,059, which is 141 fewer than included in the enacted budget. The Department contracts with a firm to prepare population estimates, which has estimated the population for FY 2018 downward to 3,059 and reflects a population level largely consistent with the FY 2017 revised population estimate of 3,058. This is the population upon which the FY 2018 request is based.

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 2010 through the FY 2018 recommended budget. The average population for the first five months of FY 2017 is 3,041.

History	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<i>Request</i>	4,008	3,709	3,416	3,231	3,152	3,170	3,292	3,260	3,059
Governor	4,008	3,643	3,416	3,231	3,152	3,170	3,292	3,200	3,059
Enacted	3,767	3,450	3,239	3,194	3,152	3,170	3,292	3,200	
Revised Request	3,669	3,350	3,264	3,146	3,192	3,239	3,206	3,058	
Governor Revised	3,659	3,350	3,265	3,146	3,192	3,239	3,182	3,058	
Final	3,551	3,273	3,192	3,146	3,192	3,239	3,183	-	
<i>Actual</i>	3,502	3,273	3,191	3,160	3,214	3,183	3,068	-	

The Governor's recommendation assumes a population of 3,059, which is 141 less than enacted and consistent with the request.

Population: Per Diem Expenditures. The Department requests \$15.7 million, \$1.3 million more than enacted from general revenues for population related expenditures that are calculated on a per diem basis. This is largely consistent with adjustments in the Department's revised request for FY 2017. These

expenditures are for items such as food, inmate clothing and linens, and janitorial supplies. Another major contributor to these expenses are medical costs, which includes both inpatient and outpatient services as well as contracted dentistry services. The Department spent \$5,022 per inmate for FY 2016. The enacted budget includes annual per diem inmate costs of \$4,485 and the revised request increases these costs to \$5,071 per year. The FY 2018 request includes \$5,127 per inmate for per diem expenditures, \$642 more than enacted and \$56 more than the revised request. *The Governor recommends \$0.2 million less than requested, including \$48,017 less for janitorial supplies and \$121,188 less for physician services, which assumes spending on medical services can be constrained.*

Inmate Lab Testing. The Department requests \$120,000 from general revenues for a new contract to provide medical laboratory testing for the inmate population, consistent with the revised request. These services are currently provided by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals at the Eleanor Slater Hospital and at no cost to the Department. It issued a request for proposals and received four bids; it selected East Side Clinical Laboratory, Inc. It should be noted that though the bid estimate was approximately \$130,000, the contract includes a cap of \$165,000 for services. It anticipates that the contract will begin on January 1, 2017.

Historically, the Department has not had to pay for inmate laboratory costs as services are performed by a state hospital that is fully funded for services. However, the Department reports that the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, on recommendation from an outside consultant, would begin charging it a monthly service fee. In order to avoid anticipated charges of \$0.6 million annually, the Department sought alternatives and procured an outside vendor. In using an outside vendor, the Department will also receive services that cannot be provided with the current arrangement. This includes pick-up and delivery of specimens and interfacing lab results with its electronic medical records system. *The Governor recommends funding as requested.*

RIBCO Settlement. In October 2016, the Department settled its contract with the Rhode Island Brotherhood of Correctional Officers, its largest employee union. For FY 2017, the contract is anticipated to cost nearly \$30.4 million for retroactive cost-of-living adjustments for years FY 2012 through FY 2017. For FY 2018, adjustments will be annualized into salary and benefit expenditures associated with the institutional corrections programs. However, the contract was finalized after the budget request was submitted and the budget only assumes potential costs consistent with other state employee contracts. For FY 2018, the estimated cost impact of the arbitration is an increase of \$15.0 million for salary and benefit expenditures, or \$6.7 million more than enacted. The Department is currently in the process of finalizing calculations for payments and increases in salaries, overtime, briefing time, and holiday pay. *The Governor recommends \$6.7 million more than requested; this is \$24,986 less than initial Budget Office estimates to reflect statewide benefit savings.*

Contracted Psychiatric Services. The Department requests \$1.0 million, \$53,136 more than enacted from general revenues for contracted psychiatric services, including emergency psychiatric services. This is consistent with the revised request and reflects a new contract with Lifespan that began at the start of FY 2017. The Department reports that these types of treatment programs are essential to the rehabilitation of an inmate and services are often court mandated and therefore must be provided. The previous on-call psychiatrist for weekends and nights retired, in its FY 2017 budget submission the Department anticipated that the costs for these services would increase though a new contract had not been finalized at the time. A new contract was awarded to Lifespan in order to address these needs as well as the services provided for weekends and off hours. *The Governor recommends \$37,676 less than requested, which assumes spending on medical services can be constrained.*

Mental Health Staffing (3.0 FTE). Under the supervision of the Clinical Director of Behavioral Health, the Department employs 1.0 supervising clinical psychologist, 11.0 clinical social workers and 1.0 consulting psychiatric occupational therapist. It also contracts with a mental health discharge planner who

is a mental health clinician. Mental health services include evaluation; individual, group, and family therapy; suicide prevention programs; crisis intervention; medication management; consultation; training and discharge planning. Currently, one clinical social worker is shared between the maximum security and high security facilities, four clinical social workers are allocated to the Intake Service Center, and the remaining six clinical social workers are divided among the remaining facilities. The Department reports as much as one-third of offenders on disciplinary confinement in the maximum security facility are mentally ill, with 10.8 percent meeting the federal definition of severe and persistent mentally ill. Meanwhile, the jailed population has been identified as the most high-risk for suicide, highest during the first 24 hours through the first two months of incarceration.

The Governor's budget includes \$0.4 million from general revenues and authorization for 3.0 new full-time equivalent positions and a new mental health discharge planning contract to support the Department's growing number of mentally ill inmates. The additional personnel include a clinical social worker for the maximum facility, a clinical social worker for the intake service center, and a behavioral health administrative assistant.

Correctional Officer Class 82. The FY 2018 request includes \$0.5 million from general revenues for correctional officer class 82. This is \$0.3 million less than enacted and reflects the hiring of 24.0 new correctional officers in November 2017. This includes \$1.1 million for salaries and benefits, offset by a \$1.3 million reduction to overtime costs. In 2016, the Department resumed its correctional officer training classes despite an active lawsuit from the U.S. Department of Justice, which relates to certain procedures utilized by the Department. The request assumes that the new class will graduate in November 2017.

The request also includes \$0.7 million for operation costs related to holding the new officer class, which is \$30,907 less than the enacted budget. *The Governor recommends funding as requested.*

Correctional Officer Class 81. The FY 2018 request includes \$0.2 million from general revenues for costs associated with the recently graduated correctional officer class 81. This reflects savings of \$0.4 million from the annualization of staffing costs related to the hiring of 50.0 new correctional officers. The request includes \$4.4 million for salaries and benefits, which is assumed to be offset by overtime savings of \$4.3 million. This is \$1.5 million more than enacted for staffing expenditures and \$1.9 million less than enacted for overtime costs.

At the start of FY 2017, there were 74.0 correctional officer vacancies and new officer training classes had been suspended pending the outcome of a lawsuit brought against the Department by the federal Department of Justice. Despite the ongoing lawsuit, the Department and state Attorney General reached an agreement with the Department of Justice allowing it to resume classes in order to address staffing needs. Class began in the fall of 2016, with new trainees graduating November 14, 2016 and hired during the pay period ending November 26. It anticipates addressing the remaining vacancies and attrition with another class to be held in the fall of 2017. *The Governor recommends funding as requested.*

State Time, Leave and Attendance System. The Department of Corrections is one of four pilot agencies for the state time, leave and attendance system, which will replace time cards and manual scheduling with electronic processing. Time and scheduling restrictions outlined in personnel policies and collective bargaining agreements will be programmed into the system to enable automatic enforcement of policies. An audit of FY 2016 personnel data conducted by the Office of Management and Budget's Office of Internal Audits and identified four changes that would save \$400,000 annually from overtime expenditures. These changes include ending negative accrual balances, scheduling efficiency and more precise use of callback list, preventing sick time and overtime rule violations, and preventing vacation and sick time swapping. *The Governor's budget assumes \$400,000 of general revenue savings from this initiative.*

All Other Institutional Corrections Staffing. The Department requests \$156.2 million, primarily from general revenues for all other staffing expenditures within its institutional corrections programs, including custody and security, institutional support, instructional based rehabilitation/population management, and healthcare services. The request is \$71,901 more than enacted, which reflects \$0.9 million in step increases and \$0.7 million in statewide medical benefit adjustments, offset by \$1.1 million in overtime savings from consolidating female work release inmates with the larger population into one facility, \$0.3 million less in holiday pay reflecting one less holiday in FY 2018 and \$0.2 million less for correctional officer briefing time. The request assumes \$2.2 million in turnover savings, consistent with the enacted budget and equivalent to approximately 18 vacant positions for an entire year. *The Governor recommends \$0.7 million less than requested, primarily reflecting statewide benefit savings.*

Medication Assisted Treatment Program. The Department requests \$2.0 million from general revenues for its medication-assisted treatment program for opioid users, consistent with the enacted budget. For FY 2017, the Assembly funded a new initiative to treat opioid users in the Adult Correctional Institution. The funds are used to screen for opioid use and disorders and assess new inmates to determine treatment options. The initiative is also intended to start medication-assisted treatment prior to release with community referral for ongoing treatment. The Department reports that approximately 70 percent of inmates suffer from drug and/or alcohol abuse. Also, a study of 419 individuals within two weeks of incarceration found that about 75 percent screened positive for likely substance abuse disorders and 26 percent reported frequent opioid abuse.

The program is being led by the Department's Medical Programs Director and a vendor contract has been established with CODAC Behavioral Healthcare. The Department is also working with Brown University to monitor and evaluate services. Inmates have been enrolled in the program and tests will continue to be administered to other inmates. Treatment will begin upon immediately entering admission and inmates serving less than one year will continue treatment throughout their time. Those serving longer sentences will be tapered off.

The Governor recommends \$2.0 million from general revenues, consistent with the Department's request. However, she recommends shifting funding from this program to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals; the Department of Corrections would continue to operate the program. According to supporting documentation, the funding transfer reflects the need to meet a maintenance of effort requirement for federal substance abuse funding awarded to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. This is consistent with the FY 2017 revised budget recommendation.

The Governor also includes legislation allowing the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to meet its maintenance of effort using other state funds; it is not clear if the shift of medication-assisted treatment program expenses is necessary.

Electronic Medical Records Enhancements. The Department requests \$0.4 million from general revenues to purchase a new electronic medical records system and continue maintenance on the current system, consistent with the revised request; this is \$0.2 million more than enacted. The Department indicates its current system is antiquated and costly to maintain; the current software license will also expire in the spring of 2017. The request includes funds to purchase the software and contract services to install and build out the programming. It will also continue to maintain its current software in order to prevent any lapse in patient care. The purchase and programming of the new system will total \$0.7 million for FY 2017 and FY 2018; ongoing maintenance and programming is estimated to be \$0.1 million annually beginning in FY 2019. *The Governor recommends funding total project costs of \$0.4 million from the Information Technology Investment Fund, consistent with the revised budget recommendation.*

All Other Institutional Corrections Operations. The Department requests \$13.6 million, primarily from general revenues, for all other institutional corrections' operations including repairs, utilities, insurance and office supplies. This is \$51,705 or 0.2 percent more than enacted, including \$26,086 more from general revenues. Minor adjustments were made to various operating expenditures including grounds keeping and office supplies. *The Governor recommends \$0.2 million less than requested for various expenditure reductions including snow removal, lawn care, insurance and vehicle leases, primarily reflecting FY 2016 actual expenses.*

Other Programs

Cognitive Behavior Therapy. The Department requests \$1.4 million from general revenues to support its cognitive behavioral therapy program, \$0.5 million more than enacted. The Department historically provided evidence-based programming to incarcerated individuals but not to probationers and parolees. Meanwhile, the recidivism rate among the probation and parole population is a driving factor of incarceration rates. For FY 2017, the Assembly provided funding for a new initiative to provide cognitive behavioral training for 800 probationers and parolees that are designated medium and high risk from the assessment process. The Department reports that funding for vendor contracts was prorated for six months for FY 2017 and that additional funds are needed to continue the program for an entire fiscal year. It is currently in the process of procuring a vendor for these services, which will begin in 2017.

The enacted budget provided \$0.9 million for nine months of funding to establish a risk assessment unit in probation and parole to insure that high risk offenders were identified and more effectively supervised, which included the hiring of 4.0 additional probation and parole officers. Partial year funding was also provided in FY 2017 for implementation of cognitive behavioral therapy programs that have shown in other jurisdictions to have a positive impact on recidivism. Qualified vendors in the community will be contracted to provide cognitive behavioral therapy to moderate and high risk offenders on probation and parole, managed by the associate director of community corrections. The Department requests additional funding to provide a full year of these services. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$24.6 million, \$0.5 million more than enacted primarily from general revenues, for salaries and benefits for the remaining 218.0 full-time equivalent positions for the three remaining departmental programs. The increase includes \$0.2 million to reflect updated employee benefit planning values, \$0.1 million for step increases, and \$0.2 million in other salary increases. The request also includes \$1.5 million in turnover savings, which is consistent with the enacted budget. There are currently 12.0 vacant positions across the central management, community corrections, and parole board programs. The requested level of turnover savings is equivalent to 14.0 full-time equivalent positions. *The Governor recommends \$0.1 million less than requested, reflecting statewide benefit savings.*

New Electronic Weapons Simulator. The Department requests \$80,000 from general revenues for a new electronic weapons simulator, consistent with previous requests that have not been recommended by the Governor or approved by the Assembly. The weapons qualifications training provides training on how to shoot a weapon but there is no training on when to shoot. The simulated training will work with the current weapons qualification process to train staff in inmate disturbance and hostage situations.

It should be noted that several years ago, the Department purchased a simulator program but this program is now obsolete and there are no updates available. The Department reports that the Brotherhood of Correctional Officers is in agreement with the Department on the benefits of this purchase. *The Governor does not recommend funding.*

Recruitment Lawsuit - Legal Services. The Department requests \$216,930 from general revenues for expenditures related to the ongoing lawsuit by the U.S. Department of Justice. The federal government

alleges that the entrance exams for correctional officers creates an unintentional adverse impact against certain minorities. The lawsuit seeks to prohibit the Department of Corrections from using its current examinations as part of the selection process for correctional officers.

The selection process for new officers had been suspended because of the allegations. However, while the Department continues to dispute the allegations, the federal government has allowed classes to resume in order to address the growing number of correctional officer vacancies. The Department is being represented by the state Attorney General's office in this matter and requests additional funding for expert witnesses. *The Governor does not recommend funding. Assuming no settlement is reached, she recommends additional legal service funding be provided through the supplemental budget process.*

Staff Development Grants. The Department requests authorization to spend \$0.1 million from federal funds that support existing staff development programs during FY 2018. The request is \$55,969 more than enacted and largely consistent with the revised request. 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 authorization to spend \$0.3 million from federal funds to support its existing educational programs, including special education for eligible inmates. The request is largely consistent with the enacted budget and \$0.1 million less than the revised request. The request reflects expenditures planned for FY 2018. *The Governor recommends funding as requested.*

Victim Services Grants. The Department requests authorization to spend \$0.2 million from federal funds to support existing victim services programs. This is nearly \$0.2 million more than enacted to reflect updated grant awards and is consistent with the revised request. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$13.1 million from Rhode Island Capital Plan funds for its capital projects scheduled for FY 2018, which is \$1.2 million more than enacted. This reflects revisions to several projects and one new project. The request is nearly consistent with the Department's capital budget request, though it shifts \$0.1 million for a new capital project from FY 2017 to FY 2018. *The Governor recommends \$2.6 million more than requested. A more detailed description of the capital projects is available in the Capital Budget section of this publication.*

All Other Operations. Excluding costs associated with institutional corrections, the Department requests \$4.2 million primarily from general revenues for all other operations at the Department. This is \$0.1 million more than enacted entirely from general revenues, reflecting changes to various expenditures across all programs including funding for new copy machines, firing range rental, internet services, and contracted clerical services. *The Governor recommends \$24,374 less than requested, including \$16,400 less for rental of a firing range used for weapons requalification, reflecting FY 2016 actual expenditures, and excludes funding for new copy machines. This is consistent with the revised budget recommendation.*

Target - Closing High Security Facility. The Department's constrained budget request includes general revenue savings of \$5.3 million for FY 2018 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. This proposal assumes inmates housed in this facility would be transferred to either the maximum or medium facilities. This proposal 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. In order for full savings to be realized in FY 2018, the closure would have to begin during FY 2017. *The Governor does not recommend this proposal.*

Target - Closure of Minimum Facility. The Department's constrained budget request includes general revenue savings of \$3.9 million for FY 2018 from closing the minimum facility. This proposal assumes shifting a portion of the minimum security population to mandatory substance abuse treatment in lieu of incarceration; the facility has a large number of inmates with substance abuse issues. The proposal assumes that 100 inmates would be placed into residential treatments beds at a cost of \$3.5 million, 150 inmates would be transferred to supervised outpatient services at a cost of \$1.5 million and the remaining 100 inmates would move to community confinement supervision which would require 6.0 new community program counselors and added equipment. It also assumes that the 122.0 correctional staff assigned to this facility would be reassigned and would offset overtime in other facilities. In order for full savings to be realized in FY 2018, the closure would have to begin during FY 2017. *The Governor does not recommend this proposal.*

Target - Donald Price Facility and Land Sale. The Department's constrained request 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. The facility was closed again in November 2011 due to continuous decline of the inmate population. *The Governor does not recommend this proposal.*

Judicial Department

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Supreme Court	\$ 36,240,382	\$ 39,343,346	\$ 44,628,179	\$ 39,490,752
Defense of Indigent Persons	3,784,406	3,803,166	3,903,166	3,803,166
Commission on Judicial Tenure & Discipline	124,865	124,489	146,516	146,008
Superior Court	23,230,091	23,363,501	24,597,133	23,609,051
Family Court	24,266,324	23,716,552	24,166,753	23,370,443
District Court	12,307,104	12,946,870	13,323,831	13,031,531
Traffic Tribunal	9,018,180	8,942,992	9,549,840	9,468,420
Workers' Compensation Court	8,096,017	8,011,286	8,118,883	8,118,883
Total	\$ 117,067,369	\$ 120,252,202	\$ 128,434,301	\$ 121,038,254
Expenditures by Category				
Salaries and Benefits	\$ 84,474,048	\$ 84,577,839	\$ 88,589,830	\$ 86,507,953
Contracted Services	2,013,354	2,130,976	2,048,540	1,941,532
Subtotal	\$ 86,487,402	\$ 86,708,815	\$ 90,638,370	\$ 88,449,485
Other State Operations	12,257,041	13,944,108	14,031,497	13,165,472
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	11,066,600	11,212,246	11,775,795	11,187,658
Capital	7,256,326	8,387,033	11,988,639	8,235,639
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 117,067,369	\$ 120,252,202	\$ 128,434,301	\$ 121,038,254
Sources of Funds				
General Revenue	\$ 96,606,091	\$ 97,067,590	\$ 101,934,524	\$ 98,014,477
Federal Aid	3,254,091	3,948,329	3,411,144	3,411,144
Restricted Receipts	11,682,187	13,132,527	12,512,633	12,512,633
Other	5,525,000	6,103,756	10,576,000	7,100,000
Total	\$ 117,067,369	\$ 120,252,202	\$ 128,434,301	\$ 121,038,254
FTE Authorization	723.3	723.5	723.3	723.5

Summary. The Judiciary requests \$128.4 million from all sources, including \$101.9 million from general revenues for FY 2018. This is \$11.4 million more than enacted, including \$5.3 million more from general revenues, which reflects an increase of approximately six percent. Consistent with the enacted authorization, the Department requests 723.3 full-time equivalent positions.

The Judiciary also submitted a constrained request that includes \$1.0 million less from general revenues than its unconstrained request. *The Governor recommends \$121.0 million, including \$98.0 million from general revenues. This is \$7.4 million less than requested, including \$3.9 million less from general revenues and \$3.5 million less from Rhode Island Capital Plan funds. She includes 723.5 positions, 0.2 more than enacted, but the adjustment appears to have been made inadvertently.*

Target Issues. The Budget Office provided the Judiciary with a general revenue target of \$90.3 million. The amount includes current service adjustments of \$0.7 million and an adjusted 8.0 percent target reduction of \$7.0 million.

The constrained budget submitted by the Judiciary is \$10.6 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor recommends \$98.0 million, which is \$7.7 million more than the target set by the Budget Office.*

FY 2018 Budget	Budget Office	Judiciary	Difference
FY 2017 Enacted	\$ 96,606,091	\$ 96,606,091	\$ -
Current Service Adjustments	677,830	3,099,008	2,421,178
New Initiatives	-	2,229,425	2,229,425
<i>Change to FY 2017 Enacted</i>	<i>\$ 677,830</i>	<i>\$ 5,328,433</i>	<i>\$ 4,650,603</i>
FY 2018 Current Service/ Unconstrained Request	\$ 97,283,921	\$ 101,934,524	\$ 4,650,603
Target Reduction/Initiatives	(7,004,464)	(1,012,500)	5,991,964
FY 2018 Constrained Target/Request	\$ 90,279,457	\$ 100,922,024	\$ 10,642,567
<i>Change to FY 2017 Enacted</i>	<i>\$ (6,326,634)</i>	<i>\$ 4,315,933</i>	<i>\$ 10,642,567</i>

Staffing. The Judiciary requests \$88.6 million from all sources for salaries and benefits for 723.3 positions. The enacted budget includes \$3.0 million of turnover, which is decreased by \$0.7 million to \$2.3 million in the Department's FY 2018 request. As of the pay period ending December 24, 2016, the Judiciary had 44.9 vacant positions. *The Governor recommends \$86.5 million for salaries and benefits, which is \$2.0 million more than enacted and \$2.1 million less than requested, of which \$0.4 million reflects statewide benefit savings. She does not include the requested \$1.1 million from general revenues for currently vacant judge positions and includes additional turnover savings of \$0.1 million. The recommendation includes 723.5 positions, 0.2 more than enacted, but the adjustment appears to have been made inadvertently.*

Restricted Receipts. Excluding the Workers' Compensation Court, which is entirely funded by restricted receipts, the Judiciary requests \$4.4 million from restricted receipts for FY 2018. The restricted receipts are derived, for example, from indirect cost recoveries, fines assessed on individuals convicted of crimes, and a technology surcharge. There is a reduction from restricted receipts to reflect the expected completion of the case management system in FY 2017 and the Judiciary requests staffing costs for a new collections unit that would be funded entirely by restricted receipts.

Some of the restricted receipt accounts are limited in how they may be used. For example, Rhode Island General Law limits the Rhode Island Judiciary Technology Surcharge Account "solely for use by the judiciary in support of its technology infrastructure and case management system." Another example is the violent crimes indemnity restricted receipt account established by the 2012 Assembly; 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. In contrast, the restricted receipt account funded from indirect cost recoveries on eligible federal grants can be used for any purpose. *The Governor provides the requested level of \$4.4 million. The recommendation reflects the use of restricted receipts for personnel costs as included in the enacted budget and does not shift these expenditures to general revenues; it also assumes restricted receipts will be utilized for a new collections unit.*

Overhead Functions

Pay-Go Judges Pensions. The Department requests \$5.9 million from all sources, including \$5.2 million from general revenues for retirement costs for judges and magistrates hired before 1990 who are not part of the state employees' retirement system. The pension costs are paid through an annual appropriation on a pay-as-you-go basis rather than the retirement trust fund. This is \$5,489 more than enacted from all funds,

including \$8,489 more from general revenues and \$3,000 less from restricted receipts to reflect a stipend paid in FY 2017 and updated estimates for newly retired judges. The Judiciary has noted there are currently six remaining active judges whose pensions will be paid this way and they all meet the eligibility threshold to retire. *The Governor recommends funding as requested.*

Case Management System. The Judiciary excludes the \$0.5 million enacted for the case management system conversion to reflect that the project is expected to be completed in FY 2017. The system will enable web based electronic filing for all courts through the internet, and will replace the current system that relies on duplicated data input and paper files. *The Governor recommends funding as requested.*

Other Court Technology. The Judiciary requests \$3.0 million or \$0.1 million less than enacted, including \$0.2 million more from general revenues and \$0.3 million less from restricted receipts for information technology improvements throughout the court system, which are not related to its case management system. The general revenue changes include \$118,800 more for copier replacements, consistent with information provided last year by the Judiciary. The restricted receipt changes reflect anticipated information technology system maintenance and software maintenance agreements. *The Governor recommends \$0.3 million less than requested, including \$34,608 less from general revenues to reflect current software maintenance agreements.*

Facilities and Operations. The Department requests \$6.5 million, or \$0.4 million more than enacted for contracted services and purchases related to facility repairs, utilities, and maintenance. This includes increases of \$0.1 million from general revenues and \$0.2 million from restricted receipts. This includes janitorial services, inspection and repair of elevators and HVAC systems, minor renovations and repairs and other routine building maintenance. The increase primarily reflects an increase for maintenance and repairs based on the FY 2016 actual spending. *The Governor recommends \$0.3 million less than requested from general revenues. This includes \$59,000 less for armored car services between state courthouses and area banks, \$20,846 less to reflect statewide natural gas savings, and there are reductions to reflect historical expenditures for utilities and maintenance.*

Overhead Functions - Legal. The Department requests \$3.9 million, including \$2.5 million from general revenues and \$1.4 million from restricted receipts to support 24.0 full-time equivalent positions for overhead functions related to legal issues. This includes funding for the Appellate Screening Unit, the Board of Bar Examiners, the Disciplinary Board, the Law Library, mandatory continuing legal education for attorneys, and the education program for judges and magistrates.

The request is \$39,235 more than enacted, including \$56,446 less from general revenues and \$95,681 more from restricted receipts. The general revenue change primarily reflects anticipated staffing costs for the Law Library and mandatory continuing legal education program based on the actual expenditures for FY 2016, and the restricted receipts increase reflects anticipated staffing costs for the Disciplinary Board. *The Governor recommends \$14,649 less than requested from general revenues to reflect statewide benefit savings.*

Other Overhead Functions. The Judiciary requests \$3.6 million from general revenues to support 48.0 full-time equivalent positions for all other overhead functions. This includes funding for maintenance of the judicial complex facilities, the finance, budget and employee relations function, and the planning program.

The request is \$0.4 million more than enacted, which primarily reflects anticipated staffing costs, mainly an increase for the finance, budget and employee relations function. This includes an estimated \$30,681 more for updated employee benefit costs and the remaining increase reflects restoring turnover savings. *The Governor recommends \$30,996 less than requested from general revenues to reflect statewide benefit savings.*

Indigent Defense Services. The Judicial Department requests \$3.9 million from general revenues, or \$0.1 million more than enacted for indigent defense services. This program assigns private attorneys to clients that the Office of the Public Defender is unable to provide legal representation services to because of conflicts of interest. In FY 2014 actual expenses were \$3.6 million, \$3.9 million was spent in FY 2015, and \$3.9 million was reported for FY 2016. *The Governor recommends \$3.8 million from general revenues, which is \$18,760 more than enacted and \$0.1 million less than requested.*

Interpreters and Translators. The Department requests \$0.3 million, or \$0.1 million more than enacted, including \$126,000 more from general revenues and \$4,000 more from restricted receipts for interpreter and translator services for FY 2018. The increased costs are based on FY 2016 expenditures; the Judiciary notes that expenses have increased because of federal requirements for language access. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$10.6 million from Rhode Island Capital Plan funds, or \$5.1 million more than enacted for its capital projects during FY 2018. The request includes funding for work at the Licht Judicial Complex, the build out of the shelled courtrooms at the Noel Judicial Complex, replacing the fan coil units at the Licht and Murray judicial complexes and the Fogarty Judicial Annex, asset protection projects, and the replacement and/or restoration and/or cleaning of the heating, ventilation and air conditioning systems for all judicial complexes. The Judiciary notes that funding included in its capital budget request for restoring the Garrahy and Murray judicial complexes was inadvertently excluded from its operating request. *The Governor recommends \$3.5 million less than requested from Rhode Island Capital Plan funds for FY 2018. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

Supreme Court

Collections Unit. The Judiciary's request includes a new collections unit that would be funded from restricted receipts derived from indirect cost recoveries on eligible federal grants and staffed by seven full-time equivalent positions, including one Assistant Director, two Monitoring Evaluation Specialists, three Monitoring Revaluation Specialists, and one Project Manager. These funds are typically used as an offset to general revenues. The Judiciary notes that it expects to fill the positions within its current staffing authorization and estimates the staffing costs of the unit to be \$0.8 million. The enacted budget anticipates the funding from indirect cost recoveries, but that the funding would be used for other purposes. The goals of the unit include improving enforcement of court judgments and reducing the upward trend of incarceration for failure to appear. *The Governor's recommendation assumes restricted receipts will be utilized to fund a new collections unit.*

Other Salaries and Benefits. The Judiciary's request includes \$11.6 million from all sources, \$1.6 million more than enacted, for the salaries and benefits of the Supreme Court, including \$1.3 million more from general revenues to support 89.7 full-time equivalent positions not associated with the previously described overhead functions and the proposed collections unit. This includes funding for activities such as domestic violence prevention, victim rights information, information technology, and an interpreter program.

The request reflects \$0.2 million for updated employee benefit costs and \$1.2 million of the remaining increase appears to reflect a shift of personnel expenditures from Family Court to Supreme Court based on the Judicial Department's overall needs. This shift, which is also assumed in the Department's revised request, is equivalent to approximately 9.0 positions. The Judiciary has noted that the entire budget is managed based on need across programs. *The Governor recommends \$0.5 million less than requested, including \$0.8 million less from general revenues and \$0.3 million more from restricted receipts. The recommendation assumes \$0.7 million of additional turnover savings and \$0.1 million for statewide benefit savings.*

Rhode Island Legal Services. The FY 2017 enacted budget includes \$90,000 from general revenues for Rhode Island Legal Services, Inc. to provide housing and eviction defense to indigent individuals as identified in Article 1 of 2016-H 7454, Substitute A, as amended. The Judiciary requests \$0.6 million, or \$0.5 million more than enacted from general revenues for Rhode Island Legal Services to continue providing the housing and eviction defense and to provide representation to low-income and elderly individuals in divorce, custody, and visitation cases.

The Judiciary also submitted a constrained request that does not include the additional \$0.5 million; under this scenario, Rhode Island Legal Services would not be able to provide additional representation to indigent individuals in divorce and eviction matters. *The Governor recommends \$90,000 from general revenues consistent with the enacted budget; she does not include the requested increase of \$0.5 million.*

Rhode Island Coalition Against Domestic Violence. The FY 2017 enacted budget includes \$230,000 from general revenues for the Rhode Island Coalition Against Domestic Violence for the domestic abuse court advocacy project as identified in Article 1 of 2016-H 7454, Substitute A, as amended. *The Governor recommends funding as enacted and requested.*

Indirect Cost Recovery Adjustment. The Judiciary's request adds \$1.1 million in expenses from restricted receipts to appropriately reflect the treatment of indirect cost recovery expenses. The Judiciary notes that while indirect cost recoveries had been reflected differently, based on a meeting with the Office of the Auditor General in FY 2016, the Department is utilizing a more appropriate way to reflect indirect cost expenses that are reimbursed with federal funding. *The Governor recommends funding as requested.*

Other Operations. The Judiciary requests \$3.1 million for all other expenses of the Supreme Court. Expenditures are programmed for rental payments, equipment maintenance, information technology and other expenses. This is \$0.1 million more than enacted and includes \$0.1 million less from general revenues, \$18 less from federal funds and \$0.1 million more from restricted receipts. The requested general revenues include changes for records storage, rental expenses, and printing costs. The restricted 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 \$0.2 million less than requested, including \$0.1 million less from general revenues; she does not include requested increases for insurance and records storage.*

Superior Court

Judicial Appointments. The Judiciary requests \$0.5 million from general revenues for judicial appointments, including one newly confirmed judge and one currently vacant judge position to be filled. The vacant judicial position is an associate justice. The request is \$0.2 million more than enacted to reflect the estimated cost to fill the associate justice position and an \$8,458 reduction to reflect the anticipated staffing costs for the newly confirmed judge. *The Governor's recommendation includes the funding for newly confirmed judges, but does not include general revenues for currently vacant judge positions.*

Other Salaries and Benefits. The Judiciary's request includes \$19.1 million, primarily from general revenues for the salaries and benefits of the Superior Court's 165.7 full-time equivalent positions. This excludes the judicial appointments discussed previously. This is \$0.5 million more than enacted, which reflects \$0.1 million for a court reporter to support new judges, \$0.2 million more for updated employee benefit costs, and \$0.3 million to restore turnover savings. *The Governor recommends \$0.2 million less general revenues than requested, which reflects \$0.1 million for additional turnover savings and \$0.1 million for statewide benefit savings.*

Jurors' Fees. The Judiciary requests \$0.8 million, or \$0.5 million more than enacted from general revenues for payments to jurors. This assumes legislation will be passed increasing the daily jurors' fee for each day's attendance on the Superior Court from \$15 per day to \$35 per day. The Assembly last increased jurors' fees in 1978.

The Judiciary also submitted a constrained request that does not include the additional \$0.5 million; under this scenario, there would be no change to the jurors' fees. *The Governor does not recommend the increase and does not include any legislation to change the fees.*

Other Operations. The Judiciary requests \$1.2 million for all other expenses of the Superior Court including rent, expert witnesses, services related to specialty courts, insurance and other office expenses. This is \$34,927 more than enacted, including \$29,228 more from general revenues and \$5,699 more from federal funds. Major changes reflect anticipated medical services and insurance costs. *The Governor recommends \$52,000 less than requested from general revenues. She does not include requested increases for insurance and records storage and makes a reduction to stenographic services, which appears to be based on FY 2016 expenditures.*

District Court

Judicial Appointments. The Judiciary requests \$0.7 million from general revenues for judicial appointments, including two newly confirmed judges and one currently vacant judge position to be filled. The vacant judicial position is a clerk magistrate. The request is \$0.2 million more than enacted to reflect the estimated cost to fill the clerk magistrate position and an \$11,000 increase to reflect the anticipated staffing costs for the newly confirmed judges. *The Governor's recommendation includes the funding for newly confirmed judges, but does not include general revenues for currently vacant judge positions.*

Veterans' Treatment Court. The Veterans' Treatment Court functions as a specialized calendar within the District Court. The specialized calendar is a jail diversion program aimed at addressing veterans charged primarily with misdemeanor offenses. The 2015 Assembly added \$0.2 million from federal funds to reflect a new grant award and the following year, the Assembly added \$0.1 million to reflect eligible personnel expenditures from this federal grant. Funding allows the Judiciary to expand operations to serve a larger population of veterans and provide additional services. The Assembly also increased the number of District Court judges from 12 to 13 and established the Veterans' Calendar in statute. It added a 1.0 full-time equivalent position and \$234,000 from general revenues for the new judge position, which is discussed separately in the judicial appointments section of this analysis.

The Judiciary requests \$0.1 million less than enacted from federal sources; this reflects the expiration of a federal grant in FY 2018. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Judiciary's request includes \$11.0 million from all sources, \$0.9 million more than enacted primarily from general revenues, for the salaries and benefits for the District Court's other 96.0 full-time equivalent positions. This excludes the judicial appointments discussed previously. The FY 2017 enacted budget includes turnover savings of \$1.0 million for the District Court, which is equivalent to approximately 8 positions. The FY 2018 request restores \$0.7 million of the turnover savings and adds \$0.1 million to reflect updated employee benefit costs. *The Governor recommends \$0.1 million less general revenues than requested to reflect statewide benefit savings.*

Other Operations. The Judiciary requests \$0.3 million for all other expenses for the District Court. Major expenditures include office supplies, printing and insurance. This is \$19,733 less than enacted, including \$18,900 less from general revenues and \$833 less from federal funds. The largest change is a \$19,297 reduction for printing costs to better reflect expenditures in the last two completed fiscal years. *The*

Governor recommends \$17,000 less from general revenues than requested; she does not include requested increases for records storage and insurance.

Family Court

Judicial Appointments. The Judiciary requests \$1.5 million from general revenues for judicial appointments, including three newly confirmed judges and three currently vacant judge positions to be filled. The vacant judicial positions include a magistrate and two associate justices. The request is \$0.7 million more than enacted including \$0.7 million to reflect the estimated cost to fill the three judicial positions and \$0.1 million more to reflect the anticipated staffing costs for the newly confirmed judges. *The Governor's recommendation includes the funding for newly confirmed judges, but does not include general revenues for currently vacant judge positions.*

Other Salaries and Benefits. The Judiciary's request includes \$19.7 million from all sources, \$18.0 million from general revenues for the salaries and benefits of the Family Court's 173.7 full-time equivalent positions. This excludes the judicial appointments discussed previously. The request is \$1.0 million less than enacted. There is an increase of \$0.2 million for updated employee benefit costs, and the reduction of \$1.2 million appears to reflect a shift of personnel expenditures from Family Court to Supreme Court based on the Judicial Department's overall needs. The Judiciary has noted that the entire budget is managed based on need across programs. *The Governor recommends \$0.1 million less than requested primarily from general revenues to reflect statewide benefit savings.*

Child Support Enforcement. The Judicial Department requests the enacted level of \$1.1 million to 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. *The Governor recommends funding as enacted and requested.*

Other Operations. The Judiciary requests \$1.2 million for all other expenses of the Family Court for FY 2018. Major expenditures include mileage reimbursement, office supplies, services related to specialty programs, insurance and auditing services. This is \$0.1 million more than enacted, including \$0.1 million more from general revenues and \$41,431 more from federal funds to reflect an increase for medical services offset by numerous reductions. *The Governor recommends \$17,904 less than requested from general revenues; she does not include the requested increases for insurance and records storage.*

Traffic Tribunal

Salaries and Benefits. The Judiciary's request includes \$8.4 million from general revenues for the salaries and benefits of the Traffic Tribunal's 78.2 full-time equivalent positions. This is \$0.5 million more than enacted. The enacted budget includes turnover for three positions, and the request reflects restoring funding for those positions, along with \$0.2 million to reflect updated employee benefit costs and employee benefit selections. *The Governor recommends \$43,220 less than requested to reflect statewide benefit savings.*

Other Operations. The request includes \$0.2 million from general revenues for all other expenses of the Traffic Tribunal. This is \$8,865 less than enacted, including reductions for insurance and printing expenses and there is an increase for record storage and retrieval costs. The changes are based on actual expenditures in recent fiscal years. *The Governor recommends \$8,200 less than requested; she does not include the requested increases for insurance and records storage.*

Workers' Compensation Court

Judicial Appointments. The Judiciary requests \$0.4 million from restricted receipts for judicial appointments, including two currently vacant judge positions to be filled. Both judicial vacancies are for an associate justice. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Judiciary's request includes \$6.2 million from restricted receipts for the salaries and benefits of the Workers' Compensation Court's 50.0 full-time equivalent positions. This excludes the judicial appointments discussed previously. The request is \$0.5 million less than enacted and reflects \$0.4 million more for three court reporters and a medical advisory board administrator to support new judges, \$0.1 million more for planning value changes, and \$0.9 million less for other anticipated staffing costs. *The Governor recommends funding as requested.*

Other Operations. The request includes \$0.2 million from restricted receipts for all other expenses at the Workers' Compensation Court. Major expenditures include \$38,500 for subscriptions and \$33,500 for outside legal services. The request is \$12,802 more than enacted and primarily reflects an increase for outside legal services and a reduction for printing costs. *The Governor recommends funding as requested.*

Judicial Tenure and Discipline

Judicial Tenure and Discipline. The Judiciary requests \$0.1 million from general revenues, or \$21,886 more than enacted to support the Commission on Judicial Tenure and Discipline for FY 2018. The increase primarily reflects an estimate for outside legal services. The Commission is responsible for conducting investigations of judges suspected of or charged with misconduct. *The Governor recommends \$508 less than requested to reflect statewide benefit savings.*

Military Staff

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 9,127,755	\$ 8,384,185	\$ 8,842,800	\$ 8,837,758
Contracted Services	1,675,497	1,662,233	1,812,118	1,812,118
Subtotal	\$ 10,803,252	\$ 10,046,418	\$ 10,654,918	\$ 10,649,876
Other State Operations	6,553,019	6,541,996	7,077,642	7,020,793
Assistance, Grants, and Benefits	515,150	313,750	515,150	314,150
Capital	5,305,895	4,094,781	19,356,682	20,193,123
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 23,177,316	\$ 20,996,945	\$ 37,604,392	\$ 38,177,942
Sources of Funds				
General Revenue	\$ 2,659,719	\$ 2,626,341	\$ 2,696,948	\$ 2,634,057
Federal Aid	17,497,797	16,660,113	27,717,460	27,717,460
Restricted Receipts	337,300	132,000	329,500	129,500
Other	2,682,500	1,578,491	6,860,484	7,696,925
Total	\$ 23,177,316	\$ 20,996,945	\$ 37,604,392	\$ 38,177,942
FTE Authorization	92.0	92.0	92.0	92.0

Summary. The Military Staff's request includes \$37.6 million from all sources, including \$2.7 million from general revenues, \$27.7 million from federal funds, \$0.3 million from restricted receipts, \$6.9 million from Rhode Island Capital Plan funds and the enacted level of 92.0 full-time equivalent positions. The requested funding is \$14.4 million more than enacted.

The Military Staff also submitted a constrained request that totals \$36.4 million and includes \$1.2 million less from all fund sources than the unconstrained request. *The Governor recommends \$0.6 million more than requested including \$0.1 million less from general revenues, \$0.2 million less from restricted receipts, and \$0.8 million more from Rhode Island Capital Plan funds.*

Target Issues. The Budget Office provided the Military Staff with a general revenue target of \$2.5 million. The amount includes current service adjustments of \$14,729 and an 8.0 percent target reduction of \$0.2 million.

The constrained budget submitted by the agency is \$912 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$0.2 million above the target.*

FY 2018 Budget	Budget Office	Military	Difference
FY 2017 Enacted	\$ 2,659,719	\$ 2,659,719	\$ -
Current Service Adjustments	14,729	14,729	-
New Initiatives	-	22,500	22,500
Change to FY 2017 Enacted	\$ 14,729	\$ 37,229	\$ 22,500
FY 2018 Current Service/ Unconstrained Request	\$ 2,674,448	\$ 2,696,948	\$ 22,500
Target Reduction/Initiatives	(213,956)	(237,368)	(23,412)
FY 2018 Constrained Target/Request	\$ 2,460,492	\$ 2,459,580	\$ (912)
Change to FY 2017 Enacted	\$ (199,227)	\$ (200,139)	\$ (912)

Firefighters. The Military Staff requests \$3.5 million, including \$0.4 million from general revenues and \$3.2 million from federal funds for the Rhode Island National Guard firefighters program. This is \$25,700 more than enacted for salaries and benefits, including \$78,571 more from general revenues and \$52,871 less from federal funds. The Military Staff attributes the shift to general revenues to promotions that have increased firefighter salaries to an amount above the federal Government Service pay scales and newly hired firefighters starting at salaries already above the wage cap. The request includes \$51,554 from general revenues for salaries for three new firefighters, who were not yet hired when last year's salary and wage projections were submitted. The remainder of the increase includes two crew chiefs who were promoted to assistant chief toward the end of FY 2016 and additional general revenues to fill vacant positions.

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. The change only applies to those firefighters hired after 2012. The average salary cost per firefighter in the Rhode Island Air National Guard is \$65,831 per year in the agency's FY 2018 request.

Beginning in FY 2015, the National Guard Bureau no longer pays the salaries of firefighters that are injured on duty. For FY 2016 and subsequent years, the state is responsible for the full cost of firefighters injured on duty. These funding changes are reflected in those appropriations.

The request funds 30.0 full-time equivalent positions, including 18.0 full-time firefighters that are specialized in fire containment and disaster response involving National Guard vehicles, 9.0 crew chiefs, and 3.0 assistant chiefs. The enacted budget includes funding for all 30.0 authorized positions. There are currently three vacancies in the program, all of which are crew chiefs. The agency subsequently submitted information indicating that it intends to convert two of the crew chief positions to firefighter positions and fill these vacancies in FY 2017.

The Military Staff also submitted a constrained request that would reduce funding by \$0.7 million, including \$0.1 million from general revenues, which would be achieved by eliminating six firefighting positions. The affected positions would include three firefighters, two fire crew chiefs, and one assistant fire chief. *The Governor recommends \$391 less than the unconstrained request from general revenues to reflect statewide benefit savings.*

Cybersecurity. The Military Staff requests the enacted level of \$50,000 from general revenues for the Rhode Island National Guard to participate in the Governor's Cybersecurity Commission working groups. The National Guard is prohibited from using federal funds for such state activities. The current request serves as a placeholder with funds appropriated and then expended as needed. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Military Staff requests \$5.3 million for salaries and benefits including \$0.8 million from general revenues and \$4.5 million from federal funds for the remaining 62.0 full-time equivalent positions. This is \$0.3 million less than enacted, including reductions of \$43,312 from general revenues and \$247,253 from federal funds. This includes an increase to reflect benefit rates changes

and reductions to reflect employee benefit selections and turnover savings. The Military Staff notes that it inadvertently requested \$26,400 less than it intended, including \$585 more from general revenues and \$26,985 less from federal funds. Corrected for that, the request would be \$263,580 less than enacted, including \$43,897 less from general revenues.

The Military Staff also submitted a constrained request that would reduce funding by \$0.6 million, including \$0.1 million from general revenues, which would be achieved by eliminating 8.0 full-time equivalent positions. The affected positions would include six maintenance personnel, one electrician, and one administrative aide in the Facilities Maintenance Office. The agency indicates that eliminating the eight positions in the Facilities Maintenance Office would result in inadequate maintenance and electrical staffing putting building systems at risk for failure, and there would be a reduced capability to manage facility contract and construction requirements. It should be noted that in the last two fiscal years the Assembly added 11.0 maintenance positions that were requested by the Military Staff and recommended by the Governor. *The Governor recommends \$4,651 less than the unconstrained request from general revenues to reflect statewide benefit savings.*

Counterdrug Asset Forfeiture. The Military Staff's request includes \$29,500 from restricted receipts, which is \$7,800 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 travel expenses and anticipated purchases 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 and as of the end of FY 2016, the Staff has spent \$237,917. *The Governor recommends funding as requested.*

Military Funeral Honors. The Military Staff requests the enacted level of \$109,150 from general revenues to reflect the projected cost for military funeral honors in FY 2018. The request is \$400 more than its FY 2017 revised request; FY 2016 spending was \$105,850. Retired military members are paid a \$50 stipend to perform military honors at the funerals. A federal memorandum from October 2012 indicated that 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 Governor recommends funding as requested.*

Education Benefits. The Military Staff 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 Governor recommends funding as requested.*

Snow Removal. The Military Staff requests \$0.8 million from all funds, including \$0.1 million from general revenues and \$0.7 million from federal sources for anticipated snow removal costs in FY 2018. The request is \$0.3 million more from all funds, including \$34,241 more from general revenues and \$258,170 more from federal sources. The Military Staff spent \$250,000 in FY 2016 reflective of a mild winter; its FY 2017 revised and FY 2018 requests for \$842,411 in both years appear to anticipate very heavy snow seasons. The Master Cooperative Agreement allows for approximately 90 percent federal reimbursement for snow removal costs. *The Governor recommends funding as requested.*

Capital Projects. The Military Staff requests \$14.0 million more than enacted, including \$9.9 million more from federal funds and \$4.2 million more from Rhode Island Capital Plan funds to be used for capital projects in FY 2018 at buildings under its purview throughout the state. The federal funds adjustments primarily reflect revised estimates for the Quonset Air National Guard Facilities project and the Rhode Island Capital Plan funds reflect changes to the Armory of Mounted Commands Rehabilitation, Asset Protection, Bristol Readiness Center, Burrillville Regional Training Institute, and Joint Force Headquarters Building projects based on planned work and updated schedules. The Military Staff indicates that it inadvertently requested \$0.1 million from Rhode Island Capital Plan funds for the Benefit Street Arsenal Rehabilitation; the project is scheduled to be completed in FY 2017. *The Governor recommends \$0.8*

million more than requested from Rhode Island Capital Plan funds to reflect revised project schedules for several projects. A detailed analysis of the projects is included in the Capital Budget section of this publication.

Utilities. The Military Staff requests \$3.2 million for electricity, fuel, water and sewer payments, which are shared expenses with the National Guard. The request is \$0.1 million less than enacted, including decreases of \$40,463 from general revenues and \$74,791 from federal funds for the state match. The requested changes are based on actual expenditures in recent fiscal years and the anticipated usage in FY 2018. *The Governor recommends \$56,849 less than requested from general revenues to reflect natural gas savings from a reverse auction conducted by the Office of Energy Resources.*

All Other Facilities Maintenance. The Military Staff requests \$4.0 million, including \$0.4 million from general revenues and \$3.7 million from federal funds for facility repairs and maintenance. This includes minor renovations and repairs at all National Guard facilities, projects at other armories and militia facilities, custodial services at armories, security services, and fire inspection. The request is \$0.6 million more than enacted including \$0.1 million less from general revenues and \$0.6 million more from federal funds based on revisions to the projects expected to move forward and better reflects the state and federal shares for specific projects. *The Governor recommends funding as requested.*

Quonset Simulator Building. The Military Staff requests \$0.1 million, including \$67,500 from federal funds and \$22,500 from general revenues for the 25 percent state share for electric costs in the fourth quarter of FY 2018 at the new simulator building at the Quonset Air National Guard Base. The construction of the simulator building has been completed and was funded by federal sources. The Military Staff further indicates that the simulator is a platform for pilots to receive required training and it will increase the life expectancy of the airframes. The training will be provided to Rhode Island Air National Guard air crew, international students, and the integrated force. *The Governor recommends funding as requested.*

All Other Operations. The Military Staff requests \$7.9 million for all other expenses for the National Guard. The request includes \$0.2 million less than enacted, which reflects \$0.1 million more from general revenues, \$0.2 million less from federal funds, and the enacted level of \$0.3 million from restricted receipts, which are about \$0.1 million annually for the Military Family Relief Fund. The federal funds changes include numerous adjustments including to supplies and equipment, travel and information technology expenses. *The Governor recommends \$0.2 million less than requested, including \$1,000 less from general revenues for insurance and \$0.2 million less from restricted receipts for the Military Family Relief Fund to better reflect historical expenditures, which are about \$0.1 million annually.*

Rhode Island Emergency Management Agency

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended*
Expenditures by Category				
Salaries and Benefits	\$ 3,583,716	\$ 3,078,681	\$ 3,845,366	\$ -
Contracted Services	744,823	956,111	870,006	-
Subtotal	\$ 4,328,539	\$ 4,034,792	\$ 4,715,372	\$ -
Other State Operations	2,039,590	2,901,675	3,448,389	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	15,850,524	12,775,847	8,960,990	-
Capital	1,775,485	2,446,239	3,054,414	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 23,994,138	\$ 22,158,553	\$ 20,179,165	\$ -
Sources of Funds				
General Revenue	\$ 1,848,876	\$ 1,847,848	\$ 2,458,023	\$ -
Federal Aid	20,094,466	17,946,354	14,946,487	-
Restricted Receipts	861,046	448,112	280,241	-
Other	1,189,750	1,916,239	2,494,414	-
Total	\$ 23,994,138	\$ 22,158,553	\$ 20,179,165	\$ -
FTE Authorization	29.0	29.0	34.0	-

*Funding is shown in the Department of Public Safety's budget to reflect proposed merger

Summary. The Rhode Island Emergency Management Agency requests \$20.2 million, including \$2.5 million from general revenues, \$14.9 million from federal funds, \$0.3 million from restricted receipts, and \$2.5 million from Rhode Island Capital Plan funds. This is \$3.8 million less than enacted including \$0.6 million more from general revenues, \$5.1 million less from federal funds, \$0.6 million less from restricted receipts, and \$1.3 million more from Rhode Island Capital Plan funds. The Agency requests 34.0 positions, 5.0 more than the enacted level and is currently undergoing a staff reclassification process.

The Agency also submitted a constrained request that includes \$0.8 million less from general revenues than its unconstrained request. *The Governor includes Article 5, which proposes to merge the Emergency Management Agency into the Department of Public Safety effective July 1, 2017. The Agency would be established as the seventh division within the Department. The Governor recommends \$18.5 million for the Division of Emergency Management in the Department of Public Safety budget, of which \$1.7 million is from general revenues. She includes 32.0 positions, which is 3.0 more than enacted and 2.0 less than requested.*

Target Issues. The Budget Office provided the Agency with a general revenue target of \$1.7 million. The amount includes current service adjustments of \$4,297 and an 8.0 percent target reduction of \$148,254.

The constrained budget submitted by the agency is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation of \$1.7 million is \$29,551 above the Budget Office target.*

FY 2018 Budget	Budget Office	Emergency Management	Difference
FY 2017 Enacted	\$ 1,848,876	\$ 1,848,876	\$ -
Current Service Adjustments	4,297	141,664	137,367
New Initiatives	-	467,483	467,483
Change to FY 2017 Enacted	\$ 4,297	\$ 609,147	\$ 604,850
FY 2018 Current Service/ Unconstrained Request	\$ 1,853,173	\$ 2,458,023	\$ 604,850
Target Reduction/Initiatives	(148,254)	(753,104)	(604,850)
FY 2018 Constrained Target/Request	\$ 1,704,919	\$ 1,704,919	\$ -
Change to FY 2017 Enacted	\$ (143,957)	\$ (143,957)	\$ -

Staff Reclassification and 3.0 FTE. During the FY 2017 budget process, the Assembly lowered the Emergency Management Agency's staffing authorization from 32.0 to 29.0, removing 3.0 unidentified vacancies. The Agency had 8.0 vacant positions during the last several pay periods of FY 2016, and it had no more than 29.0 filled positions throughout FY 2015 and FY 2016. The Agency noted that it was going through a process to make necessary changes to numerous positions, which includes rewriting outdated job descriptions, and there are positions that will be held vacant until this reclassification process is completed.

The Department of Administration held a public hearing on November 29, 2016 on the Agency's proposed changes to the classified service classification and pay plan. The Agency indicates that there are upgrades and downgrades to numerous positions and it assumes no impact on the state budget. The Agency's FY 2018 request restores the three vacant positions removed by the 2016 Assembly; it notes that the restoration will allow it to appropriately staff emergency management functions, including recovery, planning, and mitigation efforts.

The Governor recommends 32.0 full-time equivalent positions for FY 2018, 3.0 more than the enacted authorization and 2.0 less than requested; however, she transfers all positions and funding from the Agency's budget to the Department of Public Safety. A second public hearing on the Agency's proposed changes to the classified service classification and pay plan is scheduled for January 31, 2017.

Programming Services Officer (1.0 FTE). The Agency requests \$0.1 million from general revenues for a new position that would work within the Agency's planning branch, with duties that include planning and organizing the unit's planning and program activities, coordinating projects and negotiating programs with the Federal Emergency Management Agency and local governments, developing Hazard Mitigation Grant Program applications for submittal to the federal agency, and participating in major preparedness, response, recovery and mitigation operations. The position would allow the Agency to undertake additional planning and mitigation efforts pursuant to its mission.

The Agency also submitted a constrained request that does not include the new position; under this scenario it would not be able to undertake these additional planning and mitigation efforts that it deems necessary.

[Staff Note: The position is included in the Agency's request as a Programming Services Officer, but as part of its staff reclassification efforts discussed previously, the Agency proposes that the title for this new position be changed to Emergency Management Mitigation Planning Supervisor.]

The Governor does not recommend the position or the funding.

Coordinator Civil Protection Relocation (1.0 FTE). The Agency requests \$0.1 million from general revenues for a new position that would work within the Agency's planning branch, with duties that include performing periodic risk assessments on the probability of disaster or hazard events and their likely consequences, serving as a planning liaison to the federal government, consulting with state and local officials on changes to existing emergency plans, and conducting research and writing plans for hazard-

specific events. The position would allow the Agency to undertake additional planning and mitigation efforts pursuant to its mission.

The Agency also submitted a constrained request that does not include the new position; under this scenario it would not be able to undertake these additional planning and mitigation efforts that it deems necessary.

[Staff Note: The position is included in the Agency's request as a Coordinator of Civil Protection Relocation, but as part of its staff reclassification efforts discussed previously, the Agency proposes that the title for this new position be changed to Emergency Management Risk, Response, and All-Hazards Planner.]

The Governor does not recommend the position or the funding.

Other Salaries and Benefits. The Agency requests \$3.5 million, including \$0.4 million from general revenues, \$2.9 million from federal funds, and \$0.2 million from restricted receipts for salaries and benefits. This is \$0.1 million more than enacted, including \$50,861 less from general revenues, \$113,456 more from federal funds, and \$6,720 more from restricted receipts. This includes an increase of \$0.1 million to reflect benefit rate changes and employee benefit selections, and a reduction of \$22,500 for overtime expenses, consistent with recent expenses and its revised request.

As part of its constrained request, the Agency proposes shifting \$0.1 million of general revenue staffing costs to federal Emergency Management Preparedness grant funds. The Agency noted that it did not include these savings as part of its unconstrained request because of concerns that it would not be including sufficient state match as required by the federal grants, which could lead to a loss of federal funds. It is not clear what level of savings is possible or what the requested match is. *The Governor recommends \$3.2 million or \$0.2 million less than requested, including \$0.1 million less from general revenues to reflect additional turnover savings and statewide benefit savings.*

Statewide Communications Network. The Agency requests \$3.3 million from all funds, including \$1.3 million from general revenues, \$0.5 million from federal funds, and \$1.5 million from Rhode Island Capital Plan funds for expenses related to the Rhode Island Statewide Communications Network. This includes the enacted level of federal funds for major maintenance costs, heating, ventilation, and air conditioning systems, and the replacement of radio control boards. The request is \$0.1 million less than enacted, including \$2,703 more from general revenues, \$0.6 million less from restricted receipts, and \$0.5 million more from Rhode Island Capital Plan funds. The enacted budget assumes that restricted receipts from Google settlement funds would be used for the Statewide Communications Network beginning in FY 2017; the Agency does not include the funds in its request and substitutes Rhode Island Capital Plan funds instead. Based on information from the Budget Office, the Department of Public Safety apparently did not respond to some requests for information and may not have asked the Department of Justice about utilizing Google settlement funds for this project.

The Agency's constrained request reduces personnel costs relating to the Rhode Island Statewide Communications Network by \$3,871. *The Governor recommends \$3.3 million from all fund sources, \$980 less than the unconstrained request from general revenues to reflect statewide benefit savings.*

Disaster Funding. The Agency requests \$3.5 million, which is \$6.6 million less than enacted from federal funds for reimbursements to entities in the state that have applied for federal disaster relief. This reflects projected reimbursements to be made in FY 2018 for entities affected by Hurricane Sandy, Tropical Storm Irene, the 2010 floods, and the blizzards of 2012, 2013 and 2015. It takes several years to close out such grants. *The Governor recommends funding as requested.*

Emergency Operations and Performance Grants. The Agency requests \$3.1 million from federal fund expenditures for emergency operations. This is \$0.4 million more than enacted and reflects an adjustment to available federal awards. The funding, which is primarily passed through to local emergency management agencies, is used for construction and renovation of a state or local government's principal emergency management operations center and to provide support for emergency operations necessary to ensure continuity of government and operations in major disasters. *The Governor recommends funding as requested.*

Other Federal Grants. The Agency requests \$4.9 million from federal funds for all other grant awards and related expenditures. The request is \$1.3 million more than enacted and includes changes to reflect funds carried forward from previous years, as well as updated expenditure plans. Changes to grant funding primarily involve the Federal Emergency Management Flood Clean Up reimbursements, staff training for emergency response, and homeland security related upgrades throughout the state.

It should be noted that the Agency's request shifts \$0.4 million from federal homeland security grants to general revenues for Code Red and Cityworks, discussed separately. *The Governor does not recommend shifting \$0.3 million from federal homeland security grants to general revenues for Code Red and Cityworks.*

Code Red. The Agency requests to shift \$275,000 for licensing and maintenance expenses for Code Red, the statewide public information and warning system from federal homeland security grants to general revenues. The system allows for state and municipal leaders to issue alerts for potential emergencies, which could include evacuation notifications, shelter in place notifications, missing children, and amber alerts. The Agency notes that by the end of FY 2017, all 39 cities and towns in the state will be connected on the same system.

Regarding the requested shift to general revenues, the Agency notes that federal homeland security grants are intended to seed programs such as Code Red, not sustain them. The Agency submitted a constrained request that does not include the general revenues for Code Red. There does not appear to be any specific prohibition from continuing to use the federal homeland security funds for Code Red expenses and the state is not obligated to utilize general revenues for programs that were seeded with federal funds. *The Governor does not recommend shifting \$0.3 million from federal homeland security grants to general revenues for Code Red.*

Cityworks. The Agency requests to shift \$70,000 for licensing, maintenance, and data storage expenses for Cityworks from federal homeland security grants to general revenues. This geographic information system positioning and inventory system is primarily used to identify where all emergency equipment, vehicles and other necessary items are located within the state at any given time. The purpose is to make deployment to the most critical areas quicker and more effective.

Regarding the requested shift to general revenues, the Agency notes that federal homeland security grants are intended to seed programs such as Cityworks, not sustain them. The Agency submitted a constrained request that does not include the general revenues for Cityworks. There does not appear to be any specific prohibition from continuing to use the federal homeland security funds for Cityworks expenses and the state is not obligated to utilize general revenues for programs that were seeded with federal funds. *The Governor does not recommend shifting \$0.1 million from federal homeland security grants to general revenues for Cityworks.*

2-1-1 Disaster Assistance. The Agency requests \$100,000 from general revenues for the 2-1-1 disaster assistance program. The United Way of Rhode Island had previously provided this service at no cost to the state; the service involves highly-trained contract specialists making assessments and referring private

citizens to critical resources during disaster events. The Agency notes that the United Way will only continue providing the service at no cost to the state until December 31, 2016.

The Agency submitted a constrained request that does not include funding for the 2-1-1 disaster assistance program. Under this scenario, the Emergency Management Agency would be responsible for providing this service, and it indicates that it does not have the capacity to address all of these incoming phone calls during a disaster. The Agency also notes that there have been discussions about the possibility of an agreement that would require each of the eight state agencies providing related services to pay a portion of the costs to the United Way. *The Governor does not recommend the funding.*

Satellite Communications. The Agency requests \$22,483 from general revenues to purchase satellite phones and the first year of access service fees. This would involve purchasing 12 satellite phones for cabinet-level state officials to maintain contact with the Governor, the Emergency Operations Center, and each other during an emergency event when conventional communications are unavailable. The \$22,483 represents \$15,588 for purchasing the 12 phones and \$6,895 for the first year payment of annual service access fees.

The Agency also submitted a constrained request that does not include this funding. It notes that communications between the Governor and cabinet-level officials can often be interrupted during disaster events unless the individuals are situated in the Emergency Operations Center. *The Governor does not recommend the funding.*

Port Security. The Rhode Island Emergency Management Agency's emergency response teams include the Port of Providence Marine Strike Team, a waterside asset to mitigate chemical, incendiary, environmental and life safety incidents that occur in the Port of Providence or contiguous waters and the Flammable Liquids Task Force, the mission of which is to protect life, property, and critical infrastructure by using available assets to contain, control, and extinguish fires, or releases and spills involving flammable or combustible liquids or gases.

The Department of Environmental Management oversees the Oil Spill Prevention, Administration, and Response Fund, which is funded from a \$0.05 per barrel fee on petroleum products received at marine terminals in Rhode Island. The funding is used, for example, to maintain a state of emergency response readiness through responder training and equipment acquisition. The Department and the Agency signed a memorandum of agreement on May 12, 2016 specifying that the Department will provide up to \$172,000 annually for the Port of Providence Marine Strike Team and Flammable Liquids Task Force to conduct training and maintain vessels and equipment; the agreement expires on December 31, 2019. The Agency did not include the funds in its operating budget request.

The Governor recommends \$172,000 from restricted receipts to reflect Oil Spill Prevention, Administration, and Response funds to be utilized in accordance with the memorandum of agreement.

Other Operations. The Agency requests \$172,935 from all funds, including \$93,215 from general revenues and \$79,720 from restricted receipts for all other expenses. This is \$1,600 less than enacted, including \$190 more from general revenues and \$1,790 less from restricted receipts for minor adjustments to supplies, clerical, travel and other expenditures. The Agency's request for restricted receipts includes \$55,000 for funding available through recovery of indirect costs on some of its federal grants, which is \$920 more than enacted.

The Agency's constrained request reduces miscellaneous expenditures by \$12,769. *The Governor recommends \$0.2 million, \$190 less general revenues than the unconstrained request based on historical spending for office supplies.*

Capital. The Agency's operating request includes \$1.0 million from Rhode Island Capital Plan funds excluding the funding for the Rhode Island Statewide Communications Network discussed previously. The request is \$0.8 million more than enacted and the funds would be used for a new Emergency Management Building; the Agency has identified a state-owned building on Colorado Avenue in Warwick that it indicates is of the appropriate size, centralized location, and general configuration to meet its needs.

The Agency's operating request is more up to date than its capital request, which does not include this funding for FY 2018. It should be noted that the approved capital plan still assumes the Agency would take control of the Command Readiness Center once the Rhode Island National Guard moves its personnel to a new Joint Force Headquarters building included in the Military Staff's capital request. *The Governor does not recommend the funding.*

Department of Public Safety

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended*
Expenditures by Program				
Central Management	\$ 6,806,251	\$ 10,101,867	\$ 12,523,691	\$ 13,717,968
E-911	5,699,440	5,633,864	7,046,138	5,894,522
Fire Marshal	5,146,888	6,918,393	4,915,707	4,308,617
Capitol Police	3,768,875	3,837,608	4,488,247	4,214,891
Sheriffs	19,394,037	19,739,865	22,701,757	20,089,022
Municipal Police Training Academy	486,141	485,176	555,299	538,779
State Police	78,670,512	95,617,748	88,939,150	75,124,661
Emergency Management Agency	-	-	-	18,454,652
Total	\$ 119,972,144	\$ 142,334,521	\$ 141,169,989	\$ 142,343,112
Expenditures by Category				
Salaries and Benefits	\$ 82,228,022	\$ 83,278,954	\$ 90,259,333	\$ 87,535,822
Contracted Services	903,791	1,040,862	922,540	1,820,991
Subtotal	\$ 83,131,813	\$ 84,319,816	\$ 91,181,873	\$ 89,356,813
Other State Operations	10,180,235	10,568,322	14,756,516	14,406,397
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	21,111,955	38,903,266	26,643,380	35,876,370
Capital	5,548,141	8,543,117	8,588,220	2,703,532
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 119,972,144	\$ 142,334,521	\$ 141,169,989	\$ 142,343,112
Sources of Funds				
General Revenue	\$ 99,442,148	\$ 101,565,164	\$ 111,988,832	\$ 105,028,142
Federal Aid	9,292,391	12,131,031	13,848,150	29,249,442
Restricted Receipts	4,452,070	19,742,691	3,835,210	1,168,707
Other	6,785,535	8,895,635	11,497,797	6,896,821
Total	\$ 119,972,144	\$ 142,334,521	\$ 141,169,989	\$ 142,343,112
FTE Authorization	610.2	616.6	689.2	660.6

**Merges the Emergency Management Agency into the Department of Public Safety*

Summary. The Department of Public Safety requests FY 2018 expenditures of \$141.2 million from all sources of funds, including \$112.0 million from general revenues. The request is \$21.2 million more than enacted, including increases of \$12.5 million from general revenues, \$4.6 million from federal funds and \$4.7 million from other funds, and a reduction of \$0.6 million from restricted sources. The Department requests staffing authorization of 689.2 full-time equivalent positions, 79.0 positions more than the authorized level; this appears to be overstated by 40 from the inadvertent inclusion of trooper trainees.

The Governor recommends total expenditures of \$142.3 million from all sources of funds, including \$105.0 million from general revenues. The recommendation is \$22.4 million more than enacted and \$1.2 million more than requested. She proposes legislation in Article 5 of 2017-H 5175 to merge the Emergency

Management Agency into the Department of Public Safety. She also proposes legislation to replace the director of the Department of Public Safety who is currently the Rhode Island State Police Superintendent with a civilian commissioner, who will be appointed by the Governor with the advice and consent of the Senate. This would be effective July 1, 2017; however, the budget includes funding for a Commissioner in FY 2017 with the intent that separate legislation is introduced and passed before the budget is adopted.

She recommends staffing of 660.6 full-time equivalent positions, 50.4 positions more than enacted. This reflects the transfer of 29.0 positions from the Emergency Management Agency and 21.4 new positions. The changes to the enacted budget are shown below by program and are discussed in further detail in the analysis.

	Central Mgmt.	Fire E-911	Fire Marshal	Capitol Police	Municipal Sheriffs	Police Training	State Police	EMA	Total
<i>FY 2017 Enacted</i>	16.6	47.6	35.0	49.0	180.0	2.0	280.0	-	610.2
Cybersecurity Director	1.0	-	-	-	-	-	-	-	1.0
Commissioner & Support Staff	3.0	-	-	-	-	-	-	-	3.0
Public Information Officer	1.0	-	-	-	-	-	-	-	1.0
Project Manager	1.0	-	-	-	-	-	-	-	1.0
Chief of Motor Pool	1.0	-	-	-	-	-	-	-	1.0
Human Resources Staff	(4.0)	-	-	-	-	-	-	-	(4.0)
Technician - Bomb Squad	-	-	1.0	-	-	-	-	-	1.0
Cap. Police Screeners & Officers	-	-	-	7.0	-	-	-	-	7.0
Cybersecurity Positions	-	-	-	-	-	-	2.0	-	2.0
Civilian Support Staff	-	-	-	-	-	-	2.0	-	2.0
Information Technology Position	-	-	-	-	-	-	(1.0)	-	(1.0)
Emergency Management Agency	-	-	-	-	-	-	-	29.0	29.0
Vacancy Restoration	-	-	-	-	-	-	5.0	3.0	8.0
Program Change	(0.6)	-	-	-	-	-	-	-	(0.6)
Governor Change to Enacted	2.4	-	1.0	7.0	-	-	8.0	32.0	50.4
FY 2018 Recommended	19.0	47.6	36.0	56.0	180.0	2.0	288.0	32.0	660.6

Target Issues. The Budget Office provided the Department with a general revenue target of \$93.7 million. The amount includes current service adjustments of \$0.8 million and an 8.0 percent target reduction of \$6.6 million. The current service request is \$11.7 million more than the Budget Office's estimate to largely reflect expenditures for new initiatives: the State Police 57th Training Academy and new positions in several new divisions, including the Sheriffs, State Police and Capitol Police.

FY 2018 Budget	Budget Office	DPS	Difference
FY 2017 Enacted	\$ 99,442,148	\$ 99,442,148	\$ -
Current Service Adjustments	813,053	813,053	-
New Initiatives	-	11,733,631	11,733,631
Change to FY 2017 Enacted	\$ 813,053	\$ 12,546,684	\$ 11,733,631
FY 2018 Current Service/Unconstrained Request	\$ 100,255,201	\$ 111,988,832	\$ 11,733,631
Target Reduction/Initiatives	(6,600,608)	(22,554,890)	(15,954,282)
FY 2017 Constrained Target/Request	\$ 93,654,593	\$ 89,433,942	\$ (4,220,651)
Change to FY 2017 Enacted	\$ (5,787,555)	\$ (10,008,206)	\$ (4,220,651)

The constrained request is \$4.2 million below the target level. The Department includes revenue enhancements of \$11.5 million to offset the increase requested above the current service budget. It should be noted that these proposals were included in the FY 2017 constrained budget request and were not recommended by the Governor nor enacted by the General Assembly. The proposals to achieve the

reductions are noted among the items described below where appropriate. *The recommendation is \$9.7 million more than the target adjusted for the inclusion of the Emergency Management Agency.*

Central Management

Cybersecurity. The enacted budget includes \$0.8 million from general revenues in the Department of Administration, including \$0.3 million to fund a new cybersecurity director in the Department of Administration and related software and training expenses. The revised request includes \$0.1 million in turnover savings, assuming that the position would be filled in December. The Department indicates that a national search was conducted and that the position should be appointed in January 2017.

The Governor recommends transferring the cybersecurity director position and related costs from the Department of Administration to the Department of Public Safety. It is now anticipating a start date in February for the director. The recommendation includes \$0.8 million in the Department of Public Safety for the position and related costs.

New Commissioner and Support Staff (3.0 FTE). Under current law, the Rhode Island State Police Superintendent serves the dual role of the Director of the Department of Public Safety. The Governor proposes legislation to add a new commissioner position to oversee policy and management of all divisions in the Department of Public Safety. This would divide the responsibilities of the Superintendent of State Police into two positions and end its dual role as the Director of the Department of Public Safety.

The FY 2017 revised budget includes \$55,054 from general revenues to fund the position in the current year; however, legislation creating the position is not effective until July 1, 2017. It appears the intent is to submit stand-alone legislation to create this position during FY 2017. For FY 2018, the Governor recommends \$0.5 million from general revenues to fund the commissioner and two support staff, including an executive assistant and a policy director.

Public Information Officer (1.0 FTE). The Department requests \$134,875 from general revenues for the creation of a public information officer position 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 through FY 2017 operating budget requests. The Governor did not recommend the position and the Assembly concurred.

The Department indicates that this position is intended to relieve the Lieutenant Colonel, the Deputy Superintendent and Chief of Field Operations with response to the Department's public relations requirements. Subsequently, the Department indicates that it inadvertently used a lower salary base for the position than it had intended. Additionally, the request did not reduce medical benefits, reflective of the co-share savings. Accounting for these adjustments, funding for the new position would be \$144,659, or \$9,784 more than the current request. The position has been filled at the higher rate.

As part of its constrained request, the Department excluded the position as well as the funding.

The Governor recommends \$151,742 from general revenues to fund the position, which is currently filled. Funding was neither requested in the FY 2017 revised request nor recommended by the Governor.

Maintenance and Capital Projects (2.0 FTE). Currently a lieutenant officer serves as a fleet manager, who is responsible for ordering new vehicles and monitoring the maintenance of the fleet. Other responsibilities also include approving major repairs, registration renewals, auto body repairs and completing monthly and yearly mileage reports and data entry of all maintenance performed on each vehicle. Another sworn officer is currently responsible for oversight of capital projects. The Department maintains sworn members for these positions in its FY 2018 request.

The Governor recommends \$0.2 million from general revenues to fund two positions: a project manager and a chief of motor pool and maintenance to assist with fleet and capital project management. The additional positions are intended to relieve sworn officers to concentrate more on other law enforcement duties.

Human Resources Staff. In 2005, Governor Carcieri issued an executive order establishing human resources service centers within the Department of Administration. This established four statewide service centers, including general government, human services, public safety, and natural resources and transportation. The transfer of positions was reflected in the FY 2007 budget; because of security concerns the State Police retained its human resources staff.

Currently, the Department of Public Safety has 4.0 positions dedicated to human resource services. *The Governor recommends the transfer of the 4.0 positions as well as \$0.4 million to the Department of Administration to continue the consolidation of human resource services.*

Other Salaries and Benefits. The Department requests \$1.7 million, which is \$10,960 less than enacted from all sources for salaries and benefits for the authorized level of 16.6 full-time positions in the Central Management Division. This includes \$85,230 more from general revenues, offset by \$96,190 less from federal funds, reflective of anticipated awards. The Department shifts \$50,000 of the federal funds reduction to general revenues for the administrative manager of the Public Safety Grant Administration Program. The request assumes \$26,208 in turnover savings, \$18,102 more than enacted. As of the first pay period in November 2016, the Department reported 1.6 positions vacant.

The Governor recommends \$24,003 more from all funds than requested, including \$42,376 less from general revenues for statewide benefit savings. This also includes \$95,817 to partially fund 2.0 positions in the Office of the Governor.

Batterers Intervention Program. During the FY 2017 budget process, the Governor requested an amendment to add \$0.1 million from general revenues to train program staff on evidence-based treatment in order to reduce instances of domestic violence. Funding for this was not included in the enacted budget or the Department's FY 2018 request. *The Governor recommends \$100,000 from general revenues to support domestic violence intervention programs.*

Federal Grant Adjustments. The Department requests \$10.2 million, which is \$5.6 million more than enacted from federal funds for federal Department of Justice grant programs administered by the Public Safety Grant Administration Office. The request reflects current grant awards and anticipated expenditures. All but \$0.1 million of the increase pertains to the Crime Victim Assistance program, which provides funding to support efforts that include responding to the emotional and physical needs of crime victims. Based on historical spending patterns, it appears that the Department routinely overestimates its ability to spend these funds. *The Governor recommends \$42,342 less than requested reflecting the end of a Byrne grant.*

Other Expenses. The Department requests \$11,869 from general revenues, \$1,542 more than enacted from for all other Central Management expenses. This primarily reflects expenditures for office supplies and software agreements. The request is \$7,657 more than FY 2016 reported expenditures. *The Governor recommends \$10,062 more than requested for furniture and computer costs to accommodate the recommended new staff.*

E-911

Salaries and Benefits. The Department requests \$4.7 million, which is \$0.2 million more than enacted from general revenues for 48.6 full-time equivalent positions for E-911. The request includes \$48,842 for

current service adjustments. It assumes \$42,543 or \$106,271 less than enacted for turnover savings. As of the first pay period in November 2016, the Division reported 4.0 vacancies. The request includes an additional \$20,000 for overtime costs for staff who will be attending recertification training, consistent with the FY 2017 revised request.

The request appears to be overstated by \$0.2 million, primarily resulting from incorrect benefit calculations. *The Governor recommends \$0.2 million less from general revenues than requested to correct overstated costs and to include statewide benefit savings.*

Communication and Software Expenses. The request includes \$2.2 million from general revenues for all communication, software and hardware expenditures for the Division. The request is \$1.0 million more than enacted. Subsequently, the Division indicates that the intent was to request an additional \$356,100; the request is overstated by \$0.7 million. It appears to have inadvertently included funding for certain expenditures that are already funded.

The Department indicates that as it migrates to the Next Generation 911, also called “NG911,” which requires connectivity to the Internet, investments to prevent cyber-attacks need to be made. Of the requested \$356,100 in total funding, \$25,000 is for cybersecurity monitoring; \$87,700 will be used to transition all incoming calls to 911 from the state’s sonnet ring network. Currently, E-911 is the only state entity that is using the sonnet ring. It includes \$0.1 million for maintenance costs associated with the Geographic Information System, which is used to process all incoming emergency calls. The vendor would verify all of the data, including updates and discrepancies. It also includes \$75,000 to purchase new servers, which were replaced two years ago. The Department indicates that the industry standard is to replace these instruments every three years.

The Governor recommends \$0.1 million more than enacted to reflect funding for cybersecurity monitoring and network transition costs.

Other Expenses. The Department requests \$0.2 million from general revenues, or \$69,566 more than enacted for all other E-911 operations. This includes \$26,000 for building maintenance, including janitorial services and snow removal. It includes \$5,000 for the maintenance of a generator. The request also includes expenditures for staff training and uniforms, consistent with the Division’s employment contract and the revised FY 2017 request. In FY 2016, the Department incurred expenditures of \$4,975 for uniforms, for which no funding was provided. *The Governor concurs, with the exception of providing \$4,164 less from general revenues to reflect statewide electricity savings.*

Fire Marshal

Technician - Bomb Squad (1.0 FTE). The Fire Marshal's Office is responsible for all fire code inspections, fire investigations and bomb squad activity. The Rhode Island State Bomb Squad is the only FBI certified and accredited bomb squad in the state. The Office currently has three explosives and flammable liquids technicians assigned to the bomb squad and it did not include funding for additional positions in its FY 2018 request. *The Governor recommends \$77,481 from general revenues to fund a new assistant explosives and flammable liquids technician position to serve the Rhode Island Bomb Squad.*

Salaries and Benefits. The Department requests \$3.4 million from all sources of funds to support 36.0 full-time equivalent positions in the Office of the Fire Marshal. The request is \$0.3 million more than enacted, all but \$8,245 is from general revenues. The request restores \$0.1 million of the \$0.2 million enacted turnover savings and assumes that all current vacancies will be filled in anticipation of increase in workload associated with planning and construction in the I-195 Redevelopment District. It should be noted that the Fire Marshal had previously requested new positions for work related to the I-195 Redevelopment District; however, neither the Governor nor the Assembly provided funding.

The request includes an additional \$41,401 for overtime, reflective of FY 2016 reported expenditures. As of the first pay period in November 2016, the Fire Marshal had four vacancies.

The request appears to be overstated by \$0.2 million, primarily resulting from incorrect benefit calculations. *The Governor recommends \$0.2 million less than requested to correct overstated benefit costs and to include statewide benefit savings.*

Fleet Costs. The Department requests \$243,250 from general revenues for costs associated with the Fire Marshal's fleet. This is \$139,750 more than enacted from general revenues, including \$89,750 for insurance, fuel and maintenance, reflective of FY 2016 expenditures. The Department attributed the increase to the age of its fleet; however, it purchased ten vehicles in 2015 and eight vehicles in 2016. The request also includes \$50,000 for new vehicle purchases for the Municipal Fire Training Academy. The Fire Marshal has a total of 45 vehicles, including several late models from 1997 and 2000.

The constrained request reduced expenditures by \$25,000, including \$21,500 for the removal of a sedan that the Municipal Fire Training Academy had planned to purchase. It also includes \$6,500 in savings from extending the time between oil changes. It should be noted that the Department proposed this initiative in its FY 2017 request and it was recommended by the Governor and adopted by the Assembly as part of the FY 2017 enacted budget. It appears that the savings would be counted twice.

The Governor recommends \$94,883 less than requested, including \$38,383 less for state fleet loan repayments based on updated costs and she does not include the requested \$50,000 for the new vehicles. She concurs with the Department's proposal to extend the time between oil changes; the savings are already included in the enacted budget.

New Lease. 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 in North Providence. Two calls for proposals were issued in FY 2015. However, no respondents met both the Department's reported needs and the Administration's requirements regarding costs.

The Governor recommends \$135,070 from general revenues for the Fire Marshal's new lease. Effective February 1, the Fire Marshal's Office will centralize its operations by relocating from three sites to leased space on Jefferson Boulevard in Warwick. The FY 2017 revised budget includes \$56,279 for the partial year lease expense.

Other Expenses. The Department requests \$0.8 million from all sources of funds, \$5,917 less than enacted for all other operating costs for the Fire Marshal. This includes \$102,530 more from general revenues and \$33,292 from restricted receipts, offset by a reduction of \$141,739 from federal funds, reflective of anticipated awards. Of the general revenue increase, \$32,700 is for firefighter uniforms and investigation gear. It includes an additional \$10,000 for a maintenance and licensing fee for the fire code software. It also includes additional expenditures for building maintenance, waste disposal and snow removal. The request is \$69,994 more than the revised budget and is \$72,238 more than FY 2016 reported expenditures.

The Department's constrained budget proposes to decrease expenditures from the unconstrained request by \$16,598 for travel, printing and other expenses. *The Governor concurs with the constrained proposal and reduces expenditures accordingly.*

Capital - Fire Training Academy. The Department requests new expenditures of \$0.5 million from Rhode Island Capital Plan funds to construct a 4,000 square foot storage building as an addition to the existing fire academy. The facility will be used to house trailers, firetrucks and other diesel equipment that the Academy

uses for training. It should be noted that the Department's capital budget assumes the expenditures in FY 2019 and FY 2020. The request is \$0.7 million less than enacted and is \$0.5 million more than the approved plan, reflecting costs for the third phase. *The Governor recommends funding consistent with the approved plan. A detailed analysis of the project is included in the Capital Budget section of this publication.*

Capitol Police

New Positions (7.0 FTE). The Department requests authorization for 7.0 new capitol police positions. The request includes \$0.4 million from general revenues to support five of the new positions. The remaining two positions will be supported through an internal service fund; their costs are not reflected in the expenditure totals but are shown in user agencies. Of the two, one each would be stationed at the Pastore Center and the Department of Health.

The Department's constrained request excludes the positions and the funding.

The Governor recommends \$366,470 from general revenues to fund five screener positions, in lieu of Capitol Police Officer positions and concurs with the addition of two officers.

Contract Reserve. As with most state employees, the current contract for Capitol Police will expire on June 30, 2017. The Capitol Police have been in ongoing negotiation with the state regarding pay scales and parity with other entities. *The Governor recommends \$0.3 million from general revenues in anticipation of settling some of these ongoing issues.*

Other Salaries and Benefits. The Department requests \$3.9 million from general revenues, which is \$0.3 million more than enacted for salaries and benefits for the Capitol Police who are assigned to security functions in 14 state and court buildings. The request includes \$0.1 million more for overtime, reflective of FY 2016 reported expenditures. The Department does not assume a decrease in overtime spending, even with the addition of seven new capitol police. As of the first pay period in November 2016, the division had two vacancies.

In an attempt to meet the general revenue target set by the Budget Office, the Department assumes an additional \$0.5 million in turnover savings in its constrained request. This includes \$0.1 million from the Capitol Police Division, which would be achieved by holding current vacancies unfilled for the entire fiscal year.

Also included in the constrained request, is a proposal requiring a reimbursement of \$45,000 from the Legislature for a portion of overtime expenses incurred at the Legislature's request. It should be noted that the proposal does not constitute true savings, as it simply shifts costs for capitol police overtime from one state agency to another. The Department proposed this initiative as part of its FY 2017 constrained request; however, it was not recommended by the Governor nor adopted by the Assembly.

The request appears to be overstated by \$0.2 million, primarily resulting from incorrect benefit calculations.

The Governor recommends \$0.5 million less than requested, including \$0.2 million less to correct overstated benefit costs and reducing overtime costs by \$361,484. It is assumed that overtime costs will decrease with the addition of the five new screener positions.

Operations. The Department requests \$169,533 from general revenues for all other Capitol Police expenses, which is \$19,489 more than enacted, reflecting additional funding for staff training. The Department indicates that the trainings will provide the officers with the knowledge needed to assess threats in the facilities. The request also includes \$2,611 for building maintenance payments to the Judiciary for shared space.

As part of its constrained request, the Department proposes eliminating building maintenance payments to the Judiciary for shared space and includes associated savings of \$31,240. The proposal would not constitute true savings, as it shifts costs from one state agency to another. The Department proposes a policy change, which would allow the use of existing current surplus uniforms in lieu of purchasing new uniforms and assumes \$6,000 in savings. The Department also proposes \$812 in savings from extending the time between oil changes. It should be noted that the Department proposed this initiative in its FY 2017 request and it was recommended and adopted by the Assembly as part of the FY 2017 enacted budget. It appears that the savings would be counted twice.

The Governor recommends \$2,024 less than requested, including savings of \$812 from extending the time between oil changes.

Sheriffs

New Positions (20.0 FTE). The Department requests \$1.8 million from general revenues to fund 20.0 new full-time equivalent deputy sheriff positions. The Division indicates that the new positions will allow it to properly attend to the volume of civilians, prisoners, judiciary and staff that occupy all of the court facilities. The Department further notes that the request is based on five judges and magistrates that have been added since June 2013 and judges and magistrates require one to four sheriffs in their courtroom. Only one judge has been added since June 2013. This position was added by the 2015 Assembly for the establishment of the Veteran's Calendar. It should be noted that in September 2016, the Department filled 15 deputy sheriff positions. The FY 2017 revised budget includes funding for a new recruiting class.

The Department's constrained request excludes the funding as well as the authorization for the requested positions. *The Governor does not recommend funding the new positions.*

Target – Expand Video Conferencing. The Department's constrained request includes \$0.2 million in savings from expanding video conferencing for prisoners. The Department reported that this would lessen the need to transport prisoners from the prisons to the courts for a variety of proceedings, resulting in significant savings on fuel and vehicle maintenance. However, the proposal appears to be based on internal estimates, as the Department did not include the purchase costs in its request. Currently, video conferencing is used for certain proceedings; however, the Department indicates that its utilization is minimal. *The Governor concurs and assumes the savings, including \$0.1 million from overtime and \$0.1 million from operating expenses.*

Other Salaries and Benefits. The Department requests \$19.2 million from general revenues to fund the authorized level of 180.0 full-time equivalent positions for the Division of Sheriffs. This is \$1.3 million more than enacted, restoring \$0.3 million of the \$0.4 million assumed in turnover savings. As of the first pay period in November, the Division had two vacancies. The request includes \$0.5 million for overtime, \$50,529 less than enacted and is consistent with FY 2016 reported expenditures.

In an attempt to meet the general revenue target set by the Budget Office, the Department assumes an additional \$0.5 million in turnover savings in its constrained request. This includes \$35,340 from the Sheriffs, which would be achieved by holding current vacancies unfilled for the entire fiscal year.

The request appears to be overstated by \$0.7 million, primarily resulting from incorrect benefit calculations. *The Governor recommends \$0.6 million less than requested, including \$0.7 million less to correct overstated benefit costs, offset by \$88,425 to fund the costs of 12.0 positions moving from 35 hours per week into 37.5 hours per week. The current contract calls for this conversion, provided that the funding is made available.*

Operations. The Department requests \$1.6 million, which is \$0.2 million more than enacted from general revenues for all other Sheriffs expenses. The request includes \$5,138 more than enacted for maintenance payments for space shared with the Judiciary and Corrections, consistent with the limitation placed on the Judiciary by the 2015 Assembly. It includes new expenditures of \$75,000 for certification and registration for staff members to attend conferences, and \$54,160 for the recruiting of a new academy. The request includes increases of \$34,600 to purchase uniforms and \$22,582 for extraditions. The request is \$243,803 more than FY 2016 reported expenditures and is \$217,523 more than the revised request.

As part of its constrained request, the Department excluded all building maintenance payments to the Judiciary and assumes \$0.6 million of savings; however, this would not result in actual savings as it shifts costs from one state agency to another.

The Department proposed \$8,607 of savings from reduced fleet maintenance costs, from extending the time between oil changes. It should be noted that the Department proposed this initiative in its FY 2017 request and it was recommended and adopted by the Assembly as part of the FY 2017 enacted budget. It appears that the savings would be counted twice.

The Governor recommends \$9,407 less than requested, including savings of \$8,607 from extending the time between oil changes; the savings are already included in the enacted budget. The recommendation also includes \$76,353 more for building maintenance payments to the Judiciary for shared space offset by savings from state fleet loan repayments based on updated costs.

Target - Injured on Duty Change. The Department's constrained budget proposes \$1.3 million in savings from amending current law to place the Division under the same workers' compensation provisions and regulations as the majority of other state employees. The Department reports that the savings is based on FY 2014 expenditures for 17.0 full-time equivalent positions on Injured on Duty status. Under current law, Sheriffs may be granted Injured on Duty status. This benefit is unique to specific law enforcement personnel and permits employees injured while performing the duties of their job, or while providing emergency assistance when off-duty, to remain active employees receiving salaries and benefits commensurate with their positions while they are unable to work. Income payments received by Injured on Duty sheriffs are exempt from taxation. It should be noted that the Department proposed this initiative in its FY 2017 constrained request; however, neither the Governor nor the Assembly concurred with the proposal. *The Governor does not concur with this proposal.*

Municipal Police Training Academy

Staffing and Operations. The Department requests \$0.6 million, which is \$69,158 more than enacted from all sources for Municipal Police Training Academy personnel and operations. This includes \$52,188 from general revenues and \$16,970 more from federal funds, primarily Byrne Grant funding, which is used to conduct continuing education and training activities for current police officers. Salary and benefit costs for the authorized two positions are \$16,587 more than enacted. Expenditures for operating are \$52,571 more than enacted, including \$30,000 to purchase a new vehicle and \$22,571 for supplies, insurance, travel and staff training. The request includes \$19,475 in lease payments to the Community College of Rhode Island for use of classroom and office space at the Flanagan Campus. This is \$525 less than enacted, reflective of FY 2016 reported expenditures.

The Department's constrained request eliminates funding for the lease. It proposes to move the Municipal Training Academy to Camp Fogarty in East Greenwich. The Department indicates that the National Guard will not charge the Training Academy for use of space. The Department also proposes \$325 of savings from reduced fleet maintenance costs, from extending the time between oil changes. It should be noted that the Department proposed this initiative in its FY 2017 request and it was recommended and adopted by the Assembly as part of the FY 2017 enacted budget. It appears that the savings are counted twice.

Salary and benefit costs are overstated by \$14,947, primarily resulting from incorrect benefit calculations. *The Governor recommends \$16,520 less than requested to correct overstated costs and to include statewide benefit savings.*

State Police

Contract Reserve. The previous contract for the State Troopers Association covered the period of May 1, 2010 through April 30, 2013, and was subject to a wage re-opener for the last contract year. The State Troopers Association re-opened the contract for wage negotiations and a settlement was reached in August 2015. The settlement covered a three-year period; May 1, 2013 through May 1, 2015 for a 10.0 percent salary increase, consisting of retroactive hikes of 3.5 percent as of May 1, 2013; 3.0 percent as of May 1, 2014; and 3.5 percent as of May 1, 2015.

In December 2016, a subsequent settlement was reached; the settlement provides salary increases retroactive to May 2016 and a 1.25 percent increase, effective July 1, 2017. *The Governor recommends \$1.0 million in both FY 2017 and FY 2018 for costs associated with the contract settlement.*

57th State Police Training Academy Class. The Department requests \$3.1 million from general revenues for costs associated with the 57th State Police Training Academy class. The FY 2017 revised budget includes \$37,366 to begin the recruiting process. This class would be sworn in FY 2019; however, the Department inadvertently included staffing authorization for 40.0 new full-time equivalent positions in FY 2018. The Department inadvertently used two-third of a year's funding for a trooper position in lieu of the stipend amount that each trainee receives. The request is overstated by \$1.4 million.

The Governor recommends delaying the start of the 57th Training Academy until FY 2018; she recommends \$0.1 million from general revenues.

New Cybersecurity Positions (3.0 FTE). The Department requests \$0.4 million from general revenues to fund 3.0 new cybersecurity positions, including a manager and outreach coordinator, an analyst, and a computer and forensic analyst. The positions will be assigned to the Rhode Island Joint Cyber Task Force, the Fusion Center and the State Police Cyber Crimes Unit. Some of the duties and responsibilities include: conducting cyber analytical activities, cyber investigations, conducting computer forensic analysis, and performing intelligence analysis. It should be noted that the Department requested the positions in its FY 2016 and FY 2017 operating budget requests. Neither the Governor nor the Assembly included them.

As part of its constrained request, the Department excludes the authorization as well as the funding for the positions.

The Governor recommends \$256,831 from general revenues to fund two positions; the cyber analyst and the computer and forensic analyst.

New Civilian Support Positions (2.0 FTE). The Administrative Bureau within State Police consists of sworn as well as civilian employees who provide oversight and support to the division. The Planning, Research and Accreditation Unit within the division provides support for strategies to improve highway safety, compiles and posts data for the State Police's annual report, and yearly crime analysis. It is also responsible for updating policies and procedures to conform to accreditation standards. The unit is currently staffed by 4.0 full-time equivalent positions who are all sworn members.

The Governor recommends \$0.2 million from general revenues to fund two new positions, including a planning and a program development specialist. It is assumed that the additional civilian positions will allow sworn officers to concentrate more on other law enforcement duties.

Information Technology Position Transfer. In 2004, Governor Carcieri issued an executive order to create the Division of Information Technology to improve efficiency, effectiveness and security of computer operations and management under the control of a Chief Information Officer responsible for oversight, coordination and development of all computer resources within the Executive Branch. The Department's request includes \$0.2 million from general revenues to fund a data processing systems manager position. *The Governor recommends the transfer of the position as well as associated costs to the Department of Administration to continue to centralize information technology services.*

Impaired Driving Task Force Staffing Shift. The enacted budget includes \$1.0 million from federal funds, primarily from the National Highway Traffic Safety Administration to support the Impaired Driving Task Force. This includes \$0.5 million to support 2.5 full-time equivalent positions, consisting of a full-time detective and a sergeant, and 0.5 full-time equivalent trooper position. The remaining funds are budgeted for overtime. The request removes the funds and shifts funding for the positions to general revenues. Subsequent to the budget submission, the Department indicates that funding for the positions has been received.

The constrained request assumes that the Department would receive the funds and shifts \$0.5 million for the costs of the positions to federal funds.

The Governor recommends \$0.5 million from federal funds, reflective of the grant received.

Target - Town of Exeter Reimbursement. The Department's constrained request includes \$0.3 million from a reimbursement from the Town of Exeter. The town does not have a municipal law enforcement agency, and the State Police have assigned a corporal and a trooper to the town. The Department noted that the reimbursement must be approved by the Town Council. The proposal was brought before the Council in FY 2015 and in FY 2016; they were voted down both times. *The Budget assumes this savings. The Budget Office indicates the initiative was not recommended, and the inclusion of the savings was inadvertent.*

Target - Inauguration Reimbursement. The Department's constrained request includes a savings proposal of \$0.2 million for security detail for troopers attending the presidential inauguration. According to the Department, State Police has been invited to attend and the state will be reimbursed for personnel costs as well as fuel, if departmental vehicles are used. Members attending will also receive a per diem for meals and incidentals.

The Governor concurs with the proposal and includes savings of \$0.2 million from salary and benefit costs. It appears that the Department will most likely receive the reimbursement from the Metropolitan Police Department in FY 2017, reflective of past experience.

Target - Federal Agency Charges. The Department includes a proposal to seek an additional \$0.1 million in reimbursement for overtime from federal agencies. The State Police currently has six members assigned to the following federal agencies: U.S. Food and Drug Administration Task Force, Federal Bureau of Investigation Joint Terrorism Task Force and Safe Streets Task Force and U.S. Marshals Fugitive Task Force. The Department notes that the federal agencies have agreed to pay up to \$17,202 of overtime per member for a total of \$103,212. *The Governor concurs and reduces general revenue expenditures by \$103,212.*

Other Salaries and Benefits. The Department requests \$51.3 million from all sources of funds for all other State Police salary and benefit costs. This is \$1.5 million more than enacted, including \$1.9 million more from general revenues and reductions of \$0.3 million from all other sources. This reflects a shift of \$0.8 million to general revenues for salary and benefit costs for positions previously funded with other sources. These includes forfeiture funds, lottery funds and other sources.

The request restores \$0.4 million of the \$0.6 million enacted turnover savings; as of the first pay period in November 2016, the Division had no vacancies. Under current law, sworn members may retire after 20 years of service. They are required to retire after 33 years if hired before July 1, 2017, and 30 years if hired after July 1, 2017. The Department does not anticipate any mandatory retirement, as the next mandatory retirement dates will be for the 1994 class members, plus five years, would be in FY 2019.

The Department's constrained budget proposes to lay off the 26.0 troopers that were sworn in July 2016 for a savings of \$2.8 million. It also reverses the shift of \$0.8 million to general revenues based on the assumption that other funds would not be available.

The request is overstated by \$0.4 million, primarily resulting from incorrect benefit calculations.

The Governor recommends \$1.9 million less than requested from all funds, including \$2.1 million less from general revenues. Adjusting for overstated benefit costs, the recommendation is \$1.4 million less than requested to reflect \$0.1 million from statewide benefit savings and the remaining is from turnover.

Fingerprint Equipment. The Department requests new expenditures of \$0.1 million from general revenues to purchase four new Livescan fingerprint machines, one each at its headquarters, Lincoln, Hope Valley and Wickford barracks. The Department indicates that the current machines are outdated and are no longer being serviced. The machines are owned by the Department after its 6-year lease ended in October 2016. The Department also indicates that it looked into a leasing option; however, the cost would be more than an outright purchase. Google settlement funds can be used for this expense; however, the Department indicates that prior approval from the U.S. Department of Justice would be needed. *The Governor recommends funding as requested.*

Sworn Member Training. The Department requests new expenditures of \$0.5 million from general revenues to fund new training initiatives for sworn members of the State Police. The Department indicates that trainings are necessary to ensure that members remain up to date on police safety protocols and relevant policing information. Some of the training initiatives will cover mandatory recertification and funds will be used for lodging, per diems, registration fees and other training related costs. *The Governor recommends \$0.2 million from general revenues.*

Other Expenses. The Department requests \$3.5 million, which is \$0.1 million more than enacted from all sources for all other State Police expenses. This includes \$0.1 million less from general revenues, reflective of expenditures for uniforms, postage and office supplies. Expenditures from federal funds are \$0.2 million more than enacted and are consistent with the revised request, reflecting maintenance agreement costs for the Rhode Island Law Enforcement Telecommunications System.

As part of the constrained request, the Department proposes a policy change, which would allow the use of existing current surplus uniforms in lieu of purchasing new uniforms and assumes savings of \$17,500. The Department also proposes \$63,082 in savings from extending the time between oil changes. It should be noted that the Department proposed this initiative in its FY 2017 request and it was recommended and adopted by the Assembly as part of the FY 2017 enacted budget. It appears that the savings are counted twice.

The Department also proposes the elimination of expenses associated with building maintenance costs charged by the Judiciary for physical space occupied by the State Police. The constrained request includes \$3,183 of savings from general revenues; the current agreed amount is \$50,765 and is budgeted as part of the FY 2017 enacted budget.

The Governor recommends \$8,616 more than requested from all sources of funds, including \$0.1 million less from general revenues based on updated costs for state fleet loan repayments.

Capital - Consolidated Training Academy. The Department requests capital expenditures of \$7.1 million, including \$4.0 million from Rhode Island Capital Plan funds and \$3.1 million from Google forfeiture funds for the construction of a consolidated police training academy. The request is \$3.6 million more than enacted and is consistent with the approved plan and the Department's capital budget request.

The Governor does not recommend funding this project and removes the enacted \$3.5 million in funding. It appears that negotiations pertaining to municipal cost sharing fell through.

Capital - Other Capital Projects. The Department requests expenditures of \$2.2 million from Rhode Island Capital Plan funds, which is \$1.5 million more than enacted, primarily reflecting funding for new projects. It should be noted that the request includes \$0.8 million for information technology upgrades to the Rhode Island Law Enforcement Telecommunications System, the State Police Management Information System, State Police data center, and the purchase of information technology hardware and software for the State Fire Marshal. This is consistent with the Department's capital plan; however, use of Rhode Island Capital Plan funds have been limited to physical assets.

As part of the constrained request, the Department reduced expenses for the Training Academy Renovations by \$0.1 million. It is unclear how this would be achieved.

The Governor recommends \$0.4 million less than enacted and \$1.9 million less than requested. A more detailed description of the capital projects is available in the Capital Budget section of this publication.

Emergency Management Agency

Summary. The Rhode Island Emergency Management Agency submitted a separate budget, requesting \$20.2 million including \$2.5 million from general revenues, \$14.9 million from federal funds, \$0.3 million from restricted receipts, and \$2.5 million from Rhode Island Capital Plan funds. This is \$3.8 million less than enacted including \$0.6 million more from general revenues, \$5.1 million less from federal funds, \$0.6 million less from restricted receipts, and \$1.3 million more from Rhode Island Capital Plan funds. The Agency requests 34.0 positions, 5.0 more than the enacted level and is currently undergoing a staff reclassification process.

The Agency also submitted a constrained request that includes \$0.8 million less from general revenues than its unconstrained request.

The Governor includes Article 5, which proposes to merge the Emergency Management Agency into the Department of Public Safety effective July 1, 2017. The Agency would be established as the seventh division within the Department. The Governor recommends \$18.5 million for the Division of Emergency Management in the Department of Public Safety budget, of which \$1.7 million is from general revenues. She includes 32.0 positions, which is 3.0 more than enacted and 2.0 less than requested.

Staff Reclassification and 3.0 FTE. During the FY 2017 budget process, the Assembly lowered the Emergency Management Agency's staffing authorization from 32.0 to 29.0, removing 3.0 unidentified vacancies. The Agency had 8.0 vacant positions during the last several pay periods of FY 2016, and it had no more than 29.0 filled positions throughout FY 2015 and FY 2016. The Agency noted that it was going through a process to make necessary changes to numerous positions, which includes rewriting outdated job descriptions, and there are positions that will be held vacant until this reclassification process is completed.

The Department of Administration held a public hearing on November 29, 2016 on the Agency's proposed changes to the classified service classification and pay plan. The Agency indicates that there are upgrades and downgrades to numerous positions and it assumes no impact on the state budget. The Agency's FY 2018 request restores the three vacant positions removed by the 2016 Assembly; it notes that the restoration

will allow it to appropriately staff emergency management functions, including recovery, planning, and mitigation efforts. *The Governor recommends 32.0 full-time equivalent positions for FY 2018, 3.0 more than the enacted authorization and 2.0 less than requested; however, she transfers all positions and funding from the Agency's budget to the Department of Public Safety. A second public hearing on the Agency's proposed changes to the classified service classification and pay plan is scheduled for January 31, 2017.*

Programming Services Officer (1.0 FTE). The Agency requests \$0.1 million from general revenues for a new position that would work within the Agency's planning branch, with duties that include planning and organizing the unit's planning and program activities, coordinating projects and negotiating programs with the Federal Emergency Management Agency and local governments, developing Hazard Mitigation Grant Program applications for submittal to the federal agency, and participating in major preparedness, response, recovery and mitigation operations. The position would allow the Agency to undertake additional planning and mitigation efforts pursuant to its mission.

The Agency also submitted a constrained request that does not include the new position; under this scenario it would not be able to undertake these additional planning and mitigation efforts that it deems necessary.

[Staff Note: The position is included in the Agency's request as a Programming Services Officer, but as part of its staff reclassification efforts discussed previously, the Agency proposes that the title for this new position be changed to Emergency Management Mitigation Planning Supervisor.]

The Governor does not recommend the position or the funding.

Coordinator Civil Protection Relocation (1.0 FTE). The Agency requests \$0.1 million from general revenues for a new position that would work within the Agency's planning branch, with duties that include performing periodic risk assessments on the probability of disaster or hazard events and their likely consequences, serving as a planning liaison to the federal government, consulting with state and local officials on changes to existing emergency plans, and conducting research and writing plans for hazard-specific events. The position would allow the Agency to undertake additional planning and mitigation efforts pursuant to its mission.

The Agency also submitted a constrained request that does not include the new position; under this scenario it would not be able to undertake these additional planning and mitigation efforts that it deems necessary.

[Staff Note: The position is included in the Agency's request as a Coordinator of Civil Protection Relocation, but as part of its staff reclassification efforts discussed previously, the Agency proposes that the title for this new position be changed to Emergency Management Risk, Response, and All-Hazards Planner.]

The Governor does not recommend the position or the funding.

Other Salaries and Benefits. The Agency requests \$3.5 million, including \$0.4 million from general revenues, \$2.9 million from federal funds, and \$0.2 million from restricted receipts for salaries and benefits. This is \$0.1 million more than enacted, including \$50,861 less from general revenues, \$113,456 more from federal funds, and \$6,720 more from restricted receipts. This includes an increase of \$0.1 million to reflect benefit rate changes and employee benefit selections, and a reduction of \$22,500 for overtime expenses, consistent with recent expenses and its revised request.

As part of its constrained request, the Agency proposes shifting \$0.1 million of general revenue staffing costs to federal Emergency Management Preparedness grant funds. The Agency noted that it did not include these savings as part of its unconstrained request because of concerns that it would not be including sufficient state match as required by the federal grants, which could lead to a loss of federal funds. It is not

clear what level of savings is possible or what the requested match is. *The Governor recommends \$3.2 million or \$0.2 million less than requested, including \$0.1 million less from general revenues to reflect additional turnover savings and statewide benefit savings.*

Statewide Communications Network. The Agency requests \$3.3 million from all funds, including \$1.3 million from general revenues, \$0.5 million from federal funds, and \$1.5 million from Rhode Island Capital Plan funds for expenses related to the Rhode Island Statewide Communications Network. This includes the enacted level of federal funds for major maintenance costs, heating, ventilation, and air conditioning systems, and the replacement of radio control boards. The request is \$0.1 million less than enacted, including \$2,703 more from general revenues, \$0.6 million less from restricted receipts, and \$0.5 million more from Rhode Island Capital Plan funds. The enacted budget assumes that restricted receipts from Google settlement funds would be used for the Statewide Communications Network beginning in FY 2017; the Agency does not include the funds in its request and substitutes Rhode Island Capital Plan funds instead. Based on information from the Budget Office, the Department of Public Safety apparently did not respond to some requests for information and may not have asked the Department of Justice about utilizing Google settlement funds for this project.

The Agency's constrained request reduces personnel costs relating to the Rhode Island Statewide Communications Network by \$3,871. *The Governor recommends \$3.3 million from all fund sources, \$980 less than the unconstrained request from general revenues to reflect statewide benefit savings.*

Disaster Funding. The Agency requests \$3.5 million, which is \$6.6 million less than enacted from federal funds for reimbursements to entities in the state that have applied for federal disaster relief. This reflects projected reimbursements to be made in FY 2018 for entities affected by Hurricane Sandy, Tropical Storm Irene, the 2010 floods, and the blizzards of 2012, 2013 and 2015. It takes several years to close out such grants. *The Governor recommends funding as requested.*

Emergency Operations and Performance Grants. The Agency requests \$3.1 million from federal fund expenditures for emergency operations. This is \$0.4 million more than enacted and reflects an adjustment to available federal awards. The funding, which is primarily passed through to local emergency management agencies, is used for construction and renovation of a state or local government's principal emergency management operations center and to provide support for emergency operations necessary to ensure continuity of government and operations in major disasters. *The Governor recommends funding as requested.*

Other Federal Grants. The Agency requests \$4.9 million from federal funds for all other grant awards and related expenditures. The request is \$1.3 million more than enacted and includes changes to reflect funds carried forward from previous years, as well as updated expenditure plans. Changes to grant funding primarily involve the Federal Emergency Management Flood Clean Up reimbursements, staff training for emergency response, and homeland security related upgrades throughout the state.

It should be noted that the Agency's request shifts \$0.4 million from federal homeland security grants to general revenues for Code Red and Cityworks, discussed separately. *The Governor does not recommend shifting \$0.3 million from federal homeland security grants to general revenues for Code Red and Cityworks.*

Code Red. The Agency requests to shift \$275,000 for licensing and maintenance expenses for Code Red, the statewide public information and warning system from federal homeland security grants to general revenues. The system allows for state and municipal leaders to issue alerts for potential emergencies, which could include evacuation notifications, shelter in place notifications, missing children, and amber alerts. The Agency notes that by the end of FY 2017, all 39 cities and towns in the state will be connected on the same system.

Regarding the requested shift to general revenues, the Agency notes that federal homeland security grants are intended to seed programs such as Code Red, not sustain them. The Agency submitted a constrained request that does not include the general revenues for Code Red. There does not appear to be any specific prohibition from continuing to use the federal homeland security funds for Code Red expenses and the state is not obligated to utilize general revenues for programs that were seeded with federal funds. *The Governor does not recommend shifting \$0.3 million from federal homeland security grants to general revenues for Code Red.*

Cityworks. The Agency requests to shift \$70,000 for licensing, maintenance, and data storage expenses for Cityworks from federal homeland security grants to general revenues. This geographic information system positioning and inventory system is primarily used to identify where all emergency equipment, vehicles and other necessary items are located within the state at any given time. The purpose is to make deployment to the most critical areas quicker and more effective.

Regarding the requested shift to general revenues, the Agency notes that federal homeland security grants are intended to seed programs such as Cityworks, not sustain them. The Agency submitted a constrained request that does not include the general revenues for Cityworks. There does not appear to be any specific prohibition from continuing to use the federal homeland security funds for Cityworks expenses and the state is not obligated to utilize general revenues for programs that were seeded with federal funds. *The Governor does not recommend shifting \$0.1 million from federal homeland security grants to general revenues for Cityworks.*

2-1-1 Disaster Assistance. The Agency requests \$100,000 from general revenues for the 2-1-1 disaster assistance program. The United Way of Rhode Island had previously provided this service at no cost to the state; the service involves highly-trained contract specialists making assessments and referring private citizens to critical resources during disaster events. The Agency notes that the United Way will only continue providing the service at no cost to the state until December 31, 2016.

The Agency submitted a constrained request that does not include funding for the 2-1-1 disaster assistance program. Under this scenario, the Emergency Management Agency would be responsible for providing this service, and it indicates that it does not have the capacity to address all of these incoming phone calls during a disaster. The Agency also notes that there have been discussions about the possibility of an agreement that would require each of the eight state agencies providing related services to pay a portion of the costs to the United Way. *The Governor does not recommend the funding.*

Satellite Communications. The Agency requests \$22,483 from general revenues to purchase satellite phones and the first year of access service fees. This would involve purchasing 12 satellite phones for cabinet-level state officials to maintain contact with the Governor, the Emergency Operations Center, and each other during an emergency event when conventional communications are unavailable. The \$22,483 represents \$15,588 for purchasing the 12 phones and \$6,895 for the first year payment of annual service access fees.

The Agency also submitted a constrained request that does not include this funding. It notes that communications between the Governor and cabinet-level officials can often be interrupted during disaster events unless the individuals are situated in the Emergency Operations Center. *The Governor does not recommend the funding.*

Port Security. The Rhode Island Emergency Management Agency's emergency response teams include the Port of Providence Marine Strike Team, a waterside asset to mitigate chemical, incendiary, environmental and life safety incidents that occur in the Port of Providence or contiguous waters and the Flammable Liquids Task Force, the mission of which is to protect life, property, and critical infrastructure by using available assets to contain, control, and extinguish fires, or releases and spills involving flammable

or combustible liquids or gases. The Department of Environmental Management oversees the Oil Spill Prevention, Administration, and Response Fund, which is funded from a \$0.05 per barrel fee on petroleum products received at marine terminals in Rhode Island. The funding is used, for example, to maintain a state of emergency response readiness through responder training and equipment acquisition. The Department and the Agency signed a memorandum of agreement on May 12, 2016 specifying that the Department will provide up to \$172,000 annually for the Port of Providence Marine Strike Team and Flammable Liquids Task Force to conduct training and maintain vessels and equipment; the agreement expires on December 31, 2019. The Agency did not include the funds in its operating budget request.

The Governor recommends \$172,000 from restricted receipts to reflect Oil Spill Prevention, Administration, and Response funds to be utilized in accordance with the memorandum of agreement.

Other Operations. The Agency requests \$172,935 from all funds, including \$93,215 from general revenues and \$79,720 from restricted receipts for all other expenses. This is \$1,600 less than enacted, including \$190 more from general revenues and \$1,790 less from restricted receipts for minor adjustments to supplies, clerical, travel and other expenditures. The Agency's request for restricted receipts includes \$55,000 for funding available through recovery of indirect costs on some of its federal grants, which is \$920 more than enacted.

The Agency's constrained request reduces miscellaneous expenditures by \$12,769. *The Governor recommends \$0.2 million, \$190 less general revenues than the unconstrained request based on historical spending for office supplies.*

Capital. The Agency's operating request includes \$1.0 million from Rhode Island Capital Plan funds excluding the funding for the Rhode Island Statewide Communications Network discussed previously. The request is \$0.8 million more than enacted and the funds would be used for a new Emergency Management Building; the Agency has identified a state-owned building on Colorado Avenue in Warwick that it indicates is of the appropriate size, centralized location, and general configuration to meet its needs.

The Agency's operating request is more up to date than its capital request, which does not include this funding for FY 2018. It should be noted that the approved capital plan still assumes the Agency would take control of the Command Readiness Center once the Rhode Island National Guard moves its personnel to a new Joint Force Headquarters building included in the Military Staff's capital request. *The Governor does not recommend the funding.*

Revenue Enhancement

The Department includes revenue enhancements of \$11.5 million to offset the increase above its current service budget. A majority of these proposals would require legislative approval. It should also be noted that many of these proposals were included in the FY 2017 constrained budget request and were not recommended by the Governor nor enacted by the General Assembly. If the proposals are accepted, the Department requests that restricted receipt accounts be established; the funds would thereby reduce current expenditures that are currently supported by general revenues. *The Governor does not concur with most of these initiatives. Those that are recommended are shown as expenditure savings, not revenues.*

Program	Items	Constrained Revenue Enhancements
<i>E-911</i>	Wireless & Landline Surcharge Increase	\$ (3,940,396)
<i>Fire Marshal</i>	Expand Uniform Reporting Fee to Sprinkler & Standpipe Systems	(330,000)
	Plan Review & Inspection Fees	(750,000)
	Home Owner's Insurance Policy Tax	(2,678,513)
<i>Municipal Training Academy</i>	Administrative Fee	(21,000)
	Physical Testing Fee	(30,000)
<i>Security Services</i>	Increase & Expand Civil Process Fees	(533,360)
	\$5 Court Fee on Criminal Cases	(96,537)
<i>State Police</i>	Sale of State Police Barracks	(1,200,000)
	State Police Tower Leases	(85,103)
	State Police Salvage Vehicles	(10,000)
	RILETS User Reimbursement	(434,098)
	Town of Exeter Reimbursement	(296,002)
	Automobile Insurance Fee Increase	(801,378)
	Federal Agency Charges for Overtime	(103,212)
	Federal Forfeiture Cases	(220,000)
Total A1:F18		\$ (11,529,599)

E-911 Telephone Fees. Each landline and wireless line in the state is subject to a \$1.00 per month surcharge for E-911. The Department's constrained request includes a proposal to increase the surcharge by \$0.24 each month. The funds are estimated to be \$3.9 million annually and would be deposited into a restricted receipt account and would be used to fund technology upgrades and software maintenance. Without a formal plan, it is unclear if the Division has technology upgrades worth \$3.9 million annually. For consumers, the proposal would add a \$2.88 charge per line, per year. *The Governor does not concur with this proposal.*

Expand Uniform Reporting Fee. The Department proposes to expand the current \$6.00 uniform testing report fee to sprinkler and standpipe systems to generate an additional \$0.3 million. Currently, the Fire Marshal collects the fee for certification of periodic testing of fire alarms and inspections required by the Fire Safety Code Board of Appeal and Review. The receipts are deposited into a restricted receipt account for the operations of the Municipal Fire Training Academy. The Department indicates that with the completion of the Municipal Fire Training Academy building, additional funds will be needed to maintain the building. *The Governor does not concur with this proposal.*

Plan Review and Inspection Fees. As part of its constrained request, the Department proposes increasing plan review fees and instituting mandatory inspection fees, with increased and new revenues deposited as restricted receipts for the State Fire Marshal's operating expenses. The proposal includes setting a minimum plan review fee of \$100, requiring review fees for master electricity and plumbing plans, and requiring that state agencies pay review fees for capital project plans. The Department also proposed instituting a \$100 fine for plans that fail the review process and a \$100 inspection fee for Fire Code safety inspections. Under current law, plan review fees are determined via a sliding scale that begins at \$25, failed plan reviews do not garner fines, and there is no fee for Code safety inspections. The Department assumes receipts of \$750,000 from this proposal. *The Governor does not concur with this proposal.*

Homeowner's Insurance Policy Tax. As part of its constrained request, the Department proposes establishing a new tax of 1.0 percent of the premium cost of all homeowners' insurance policies. Revenues would be deposited as restricted receipts to fund Office personnel costs. The request is based on an

estimated 225,000 homeowners' insurance policies written in the state with an average annual cost of \$1,200 each, which would increase by \$12 per year for estimated collections of \$2.7 million.

According to a 2013 study conducted by the National Association of Insurance Commissioners, the annual cost of homeowner's insurance in Rhode Island is \$1,173, the seventh highest in the country and 23.3 percent higher than the national average of \$952. *The Governor does not concur with this proposal.*

Target Proposal - Administrative and Physical Testing Fees. As part of its constrained request, the Department proposes the creation of two new Academy fees: an annual administrative fee of \$500 charged to municipal and other police departments that send recruits to the Academy and a \$50 physical testing fee to be paid by every applicant to departments that send recruits to the Academy. These receipts would help offset operating costs for the Municipal Police Training Academy and are estimated to generate \$51,000 annually. *The Governor does not concur with these proposals.*

Target Proposal - Civil Process Fees. As part of its constrained request, the Department proposed the doubling of Division civil process fees. Under current law, the Sheriffs may charge \$45 per defendant for Rhode Island court documents, \$100 for body attachments, and \$100 for out-of-state court documents. Fees are paid by the entity that is serving the process, such as one individual bringing suit against another, and are currently deposited as general revenues. The Department proposes fees of \$90 for in-state court documents, \$200 for out-of-state documents, and \$200 for body attachments.

The Department assumes revenues of \$0.5 million, including \$0.3 million from payments that would be made by the state for process service. This would not constitute savings or new revenues, as it shifts costs from the Department to other state agencies. *The Governor does not concur with this proposal.*

Target Proposal - Criminal Case Fees. As part of its constrained request, the Department proposes a new \$5.00 fee for each criminal case brought before the Judiciary. The funds would be used to offset the expenses of transporting and feeding defendants transported by the Sheriffs. The Department assumes revenues of \$0.1 million. *The Governor does not concur with this proposal.*

Sale of State Police Barracks. The Department assumes revenues of \$1.2 million from the sale of two current barracks. This assumes \$0.8 million for the barracks in Wickford and \$0.4 million for the barracks in Hope Valley. The Department submitted a capital plan for new barracks to replace the aforementioned ones. The plan assumes construction being done in FY 2019. Furthermore, current law requires that receipts from land sales be deposited into a restricted account, which are used to support the Information Technology Investment Fund. *The Governor does not concur with this proposal.*

State Police Tower Leases. The State Police is currently renegotiating lease contracts with private entities that use cellphone towers located on its properties. The Department indicates that its plan is to standardize all contracts at a cost of \$36,500 each. It assumes \$0.1 million in additional revenues. *The Governor recommends that the Department renegotiate the leases; however, the budget does not assume the revenues.*

State Police Salvage Vehicles. The Department indicates that the State Police currently has 25 vehicles, which could be salvaged to recoup \$10,000. The constrained request includes the proposal and assumes that the funds would be used toward vehicle maintenance costs. Subsequent to the budget submission, the Department indicates that \$9,377 in revenues was generated from the sale of salvage vehicles in 2016. The funds were deposited into a restricted forfeited account. *The Governor does not assume the revenues.*

RILETS User Reimbursement. The Department proposes seeking reimbursement from municipalities for use of the Rhode Island Law Enforcement System, which is connected to over 70 criminal justice agencies in the state. The system provides them with law enforcement data. The Department indicates that 38 of the agencies are municipal police departments. It would seek reimbursement from municipal agencies as

well as the Courts, which uses the system to exchange arrest and disposition data, and the Department of Transportation, which uses the system to collect statewide accident reports. The Department notes that non-municipal agencies pay for their own connection and router to the system. The request assumes \$0.4 million in receipts from this proposal. *The Governor does not concur with this proposal.*

Town of Exeter Reimbursement. The constrained request also includes \$0.3 million from a reimbursement from the Town of Exeter. The town does not have a municipal law enforcement agency, and the State Police have assigned a corporal and a trooper to the town. The Department noted that the reimbursement must be approved by the Town Council. The proposal was brought before the Council in FY 2015 and in FY 2016; they were voted down both times. *The Budget assumes this savings inadvertently.*

Target Proposal - Auto Insurance Fees. As part of its constrained request, the Department proposed doubling the statutory annual fee charged to automobile insurers for operation of the Office of Automobile Theft and Insurance Fraud. Current law establishes the annual fee of \$1.00 per registered vehicle with gross weight under 10,000 pounds; the Department of Business Regulation collects the fee from insurance companies, proportionate to their market share, and deposits the funds as general revenues. The Department's proposal would increase the fee to \$2.00 per registered vehicle; \$1.00 would still be deposited as general revenues and \$1.00 would be deposited into a new restricted receipt account. The proposal includes \$0.8 million of salary and benefit costs funded from these receipts. *The Governor does not concur with this proposal.*

Federal Agency Charges for Overtime. The Department includes a proposal to seek an additional \$0.1 million in reimbursement for overtime from federal agencies. The State Police currently has six members assigned to the following federal agencies: U.S. Food and Drug Administration Task Force, Federal Bureau of Investigation Joint Terrorism Task Force and Safe Streets Task Force and U.S. Marshals Fugitive Task Force. The Department notes that the federal agencies have agreed to pay up to \$17,202 per member. *The Budget lowers expenditures to reflect the reimbursement.*

Federal Forfeiture Cases. The Department includes a proposal to review outstanding cases of forfeitures to determine what can be turned over to the General Treasurer's Unclaimed Property Fund. It assumes \$0.2 million from this proposal. The last review was done in 2010. *The Governor does not concur with this proposal.*

Office of the Public Defender

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 10,515,450	\$ 10,499,276	\$ 10,872,623	\$ 10,874,108
Contracted Services	255,813	255,813	265,785	441,285
Subtotal	\$ 10,771,263	\$ 10,755,089	\$ 11,138,408	\$ 11,315,393
Other State Operations	1,018,439	1,018,439	1,023,132	1,031,162
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	60,000	45,000	45,000	45,000
Capital	47,500	47,500	47,500	46,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 11,897,202	\$ 11,866,028	\$ 12,254,040	\$ 12,438,055
Sources of Funds				
General Revenue	\$ 11,784,382	\$ 11,768,208	\$ 12,156,220	\$ 12,340,235
Federal Aid	112,820	97,820	97,820	97,820
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 11,897,202	\$ 11,866,028	\$ 12,254,040	\$ 12,438,055
FTE Authorization	93.0	92.0	93.0	94.0

Summary. The Office of the Public Defender requests FY 2018 expenditures of \$12.3 million, which is \$0.4 million more than the enacted budget. The request includes \$371,838 more from general revenues and \$15,000 less from federal funds. Consistent with the enacted budget, the Office requests 93.0 full-time equivalent positions. *The Governor recommends \$12.4 million from all sources, including \$12.3 million from general revenues, which is \$0.6 million more than enacted and \$0.2 million more than requested. She adds \$0.2 million from general revenues for a new pre-arrest diversion program and includes 94.0 positions, 1.0 more than enacted for an assistant public defender position.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$11.0 million. The amount includes current service adjustments of \$0.1 million and an 8.0 percent target reduction of \$0.9 million.

FY 2018 Budget	Budget Office	Office of the Public Defender	Difference
FY 2017 Enacted	\$ 11,784,382	\$ 11,784,382	\$ -
Current Service Adjustments	97,281	371,838	274,557
Change to FY 2017 Enacted	\$ 97,281	\$ 371,838	\$ 274,557
FY 2018 Current Service/Unconstrained Request	\$ 11,881,663	\$ 12,156,220	\$ 274,557
Target Reduction/Initiatives	(897,077)	(1,170,795)	(273,718)
FY 2018 Constrained Target/Request	\$ 10,984,586	\$ 10,985,425	\$ 839
Change to FY 2017 Enacted	\$ (799,796)	\$ (798,957)	\$ 839

The constrained budget submitted by the Office is \$839 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget recommendation is \$1.4 million above the Budget Office target.*

Salaries and Benefits. The Office requests \$10.9 million from general revenues for salaries and benefits for 93.0 full-time positions. This is \$0.4 million more than enacted and includes increases that reflect benefit rate changes, employee benefit selections, and other changes to reflect anticipated staffing costs.

The Office's constrained request proposes eliminating 14.0 full-time positions for savings of \$1.2 million. The Office indicated that its current caseload would prevent the ability to absorb additional cases for FY 2018, if this proposal is approved. As a result, cases referred by the Judiciary would not be accepted. The Office's proposal offered the two options noted below to achieve the proposed savings.

The Governor recommends \$10.9 million, all from general revenues, which is \$1,485 more than the unconstrained request. This includes an estimated \$0.1 million for a full year's salaries and benefits for an additional assistant public defender IV position in an effort to relieve the increasing caseload burden at the agency. The remaining changes include reductions of \$55,338 to reflect additional turnover savings from other positions and \$55,406 of statewide benefit savings.

Target Option 1. The first option would eliminate misdemeanor representation in district courts statewide as well as representation in Providence Superior Court violations and pre-arraignment calendars. In FY 2016, the Office disposed 11,008 misdemeanor cases statewide. This proposal assumes 786 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. In FY 2016, the Office provided representation in 1,034 violation felony cases in Providence County and 2,578 cases in the pre-arraignment calendar. This proposal assumes approximately 74 violations cases and 184 pre-arraignment cases per attorney per fiscal year. *The Governor's recommendation does not include this proposal.*

Target Option 2. The second option would eliminate felony and misdemeanor representation in Kent County and close the Kent County branch office. In FY 2016, the Office provided representation in 3,761 misdemeanor cases and 760 felony cases in Kent County. This proposal assumes a caseload per attorney of 269 misdemeanor cases and 54 felony cases per fiscal year. 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.

It appears that Options 1 and 2 would require both state and federal law changes to achieve the desired savings since these 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. *The Governor's recommendation does not include this proposal.*

Pre-arrest Diversion Program. During the FY 2017 budget process, the Governor requested an amendment to add \$0.2 million from general revenues to seed a pre-arrest diversion program intended to increase access to mental health services as part of the justice reinvestment initiative. The Assembly did not include the funding. The Office of the Public Defender's FY 2018 budget request includes no funding for such a program. *The Governor recommends \$185,000 from general revenues for a pre-arrest diversion program intended to ensure better access to mental health services and reduce the strain on healthcare systems, first responders, the Judiciary, and the Department of Corrections. The Office indicates the funding would be utilized for staff training, a contracted social worker and case management services.*

Intake Interviewers and Case Management. The Office requests \$0.2 million from all sources, including \$108,000 from general revenues and the enacted amount of \$50,000 from federal funds for intake interviewers and case management services. The requested changes include \$3,658 less from general

revenues to reflect an anticipated reduction in clerical support; the funding is utilized for the continued procurement of seasonal part-time intake interviewers, who are expected to assist in data entry functions and conduct interviews to help determine individuals who are financially eligible for public representation. The request also includes federal funds to reflect a grant for case management services, including the assessment and evaluation of adult clients and placement into social service community programs, and general revenues to provide this assistance to juvenile clients. *The Governor recommends \$9,500 less than requested from general revenues based on actual spending in recent fiscal years.*

Trial Related Expenses. The Office requests \$106,853 from all sources for contracted trial related expenses. The changes include \$13,630 more than enacted from general revenues, including \$9,316 more for court stenographers based on actual spending in FY 2016 and \$5,000 more for expert witnesses, primarily medical experts. The Office requests the enacted level of general revenues for interpreters.

The Office also submitted a constrained request that reduces general revenues for trial related services by \$623. *The Governor recommends funding as requested in the unconstrained request.*

All Other Operations. The Office requests \$1.1 million, nearly all from general revenues for all other operations. This includes \$0.5 million for rent. The request is \$10,307 less than enacted, including \$4,693 more from general revenues for adjustments to staff training, insurance, office equipment, travel and printing expenses. The requested federal funds include a reduction of \$15,000 to reflect the anticipated award for the John R. Justice Incentive Grant. *The Governor recommends \$7,030 more than requested from general revenues. This includes \$11,723 more for court overhead charges based on more updated estimates of charges from the Judiciary.*

Department of Environmental Management

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Office of the Director	\$ 9,066,882	\$ 9,609,310	\$ 9,563,436	\$ 10,371,360
Bureau of Natural Resources	60,958,096	61,553,386	61,590,741	69,195,966
Bureau of Environmental Protection	32,722,636	32,279,019	34,118,438	33,697,360
Total	\$ 102,747,614	\$ 103,441,715	\$ 105,272,615	\$ 113,264,686
Expenditures by Category				
Salaries and Benefits	\$ 50,004,239	\$ 50,508,407	\$ 52,047,279	\$ 51,316,673
Contracted Services	7,036,278	9,120,399	8,312,621	8,314,048
Subtotal	\$ 57,040,517	\$ -	\$ 60,359,900	\$ 59,630,721
Other State Operations	14,162,806	14,910,831	14,970,743	15,507,463
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	8,691,303	7,896,354	8,546,826	11,334,976
Capital	22,802,988	20,955,724	21,345,146	26,741,526
Capital Debt Service	-	-	-	-
Operating Transfers	50,000	50,000	50,000	50,000
Total	\$ 102,747,614	\$ 103,441,715	\$ 105,272,615	\$ 113,264,686
Sources of Funds				
General Revenue	\$ 40,206,777	\$ 38,295,450	\$ 41,622,826	\$ 43,995,800
Federal Aid	29,728,792	34,155,995	33,399,312	33,399,312
Restricted Receipts	18,981,956	16,950,296	17,322,769	17,496,061
Other	13,830,089	14,039,974	12,927,708	18,373,513
Total	\$ 102,747,614	\$ 103,441,715	\$ 105,272,615	\$ 113,264,686
FTE Authorization	399.0	400.0	411.0	403.0

Summary. The Department requests \$105.3 million for FY 2018, which is \$2.5 million more than enacted and includes \$1.4 million more from general revenues, \$3.7 million more from federal funds, \$1.7 million less from restricted receipts and \$0.9 million less from other funds, primarily Rhode Island Capital Plan funds. The Department requests 411.0 full-time equivalent positions, which is 12.0 more than enacted. The Department also submitted a constrained request that totals \$100.9 million and includes \$4.3 million less from general revenues and \$0.1 million less from restricted receipts than the unconstrained request. It also excludes the new positions and eliminates 30.0 currently authorized positions.

The Governor recommends \$113.3 million from all sources, which is \$10.5 million more than enacted and \$8.0 million more than requested. General revenues are \$3.8 million more than enacted and \$2.4 million more than requested. She includes 4.0 new positions including one transferred from the Historical Preservation and Heritage Commission.

Target Issues. The Budget Office provided the Department with a general revenue target of \$37.3 million. The amount includes current service adjustments of \$0.1 million and an 8.0 percent target reduction of \$3.0

million. The Department's request is \$2,338 below the target. *The Governor's budget is \$6.7 million above the target.*

FY 2018 Budget	Budget Office		DEM	Difference		
FY 2017 Enacted	\$	40,206,777	\$	40,206,777	\$	-
Current Service Adjustments		82,686		82,686		-
New Initiatives		-		1,333,363		1,333,363
Change to FY 2017 Enacted	\$	82,686	\$	1,416,049	\$	1,333,363
FY 2018 Current Service/ Unconstrained Request	\$	40,289,463	\$	41,622,826	\$	1,333,363
Target Reduction/Initiatives		(2,983,270)		(4,318,971)		(1,335,701)
FY 2018 Constrained Target/Request	\$	37,306,193	\$	37,303,855	\$	(2,338)
Change to FY 2017 Enacted	\$	(2,900,584)	\$	(2,902,922)	\$	(2,338)

Staffing Reconfiguration. The Department's request includes a reconfiguration of staff among programs. The Department transferred a Chief Program Development Position from the Bureau of Environmental Protection to the Director's Office. The main focus of the position is to carry out a Lean initiative across the Department. Therefore, the Department notes that it would be a better fit to have the position under the Director's Office. Similarly, the Property Control and Supply Officer was transferred from the Bureau of Natural Resources to the Director's Office since the Department's Director felt that there is better control of the position under her office. *The Governor's budget includes the requested reconfiguration.*

Office of the Director

The Office of the Director develops and implements the agency's wide range of programs to protect Rhode Island's environment, protect the citizens of the state from public health threats resulting from pollution, and provide facilities that support a diversity of outdoor recreational activities.

Clean Diesel Program. The Department requests the enacted level of \$2.0 million from general revenues for the Clean Diesel Program. The request reflects a shift of \$87,528 from the \$2.0 million grant for the Clean Diesel Program to personnel costs in the Office of Air Resources, to fund an Air Quality Specialist position to administer the Clean Diesel program. The 2016 Assembly included Article 16 to establish a Rhode Island Clean Diesel Fund within the Department. The purpose of this new grant program is to reduce emissions from heavy-duty diesel engines operating on state roads and help companies improve supply chain efficiency. The law allows for up to ten percent of funds to be used for administration and outreach. *The Governor recommends funding essentially as requested.*

Foundry Lease Payment. The Department requests \$2.9 million, or \$0.1 million more than enacted from general revenues for lease-related expenses at its headquarters facility, located at the Foundry Building in Providence. This includes \$94,970 more for property taxes to reflect its actual payment and \$24,800 more for electricity, to be consistent with FY 2016 expenditures. The FY 2016 enacted budget included Article 4, Section 4, which authorized a new lease agreement between the state and Foundry Parcel 15 Associates, LLC beginning July 1, 2016 for a term not to exceed 10 years at a total cost not to exceed \$25.2 million. The square footage remains the same at 126,184 square feet. *The Governor recommends \$2,222 more than requested for heating costs based on FY 2015 and FY 2016 expenditures.*

Bays, Rivers and Watersheds. The Department requests \$0.5 million, or \$0.1 million more than enacted from the Bays, Rivers and Watershed restricted receipt account to accurately reflect the anticipated funding for FY 2018 from fees collected for the disposal of septage. The funding is derived from a \$1 per hundred gallons charge on septage disposal in the state. Pursuant to Article 16 of 2015-H 5900, which abolished the Bays, Rivers and Watersheds Coordination Team, the restricted receipts are utilized by the Department for efforts relating to watershed and marine monitoring, water pollution abatement, and climate change. *The Governor recommends funding as requested.*

Drainage Remediation. The Department eliminates the \$0.2 million enacted from general revenues for a one-time state grant for drainage remediation on Eliot Avenue in North Providence. *The Governor concurs.*

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. Consistent with the enacted budget, the Department requests \$0.5 million from restricted receipts, which includes \$0.2 million for a farm to energy program to provide energy efficiencies and renewable energy for farms in the state, and \$0.3 million for a program to provide tree plantings on private property intended to lower home energy costs. *The Governor recommends funding as requested.*

Conservation Districts. Conservation Districts were formally established under Rhode Island General Law, Chapters 2-4, as amended in 1990. This provides an opportunity for local citizens to shape soil and water conservation and resource planning in their communities. The Districts are quasi-public subdivision of state government, governed by a volunteer Board of Directors from the communities. In prior years, these entities received community service grants. *The Governor recommends \$50,000 from general revenues to support the conservation districts.*

Volvo Ocean Race. The Department along with the Rhode Island Commerce Corporation are hosting the May 2018 Volvo Ocean Race, which will take place at Fort Adams State Park in Newport. The Race is offered by Volvo Ocean Race, in conjunction with Sail Newport. The Department is responsible for providing security, general clean-up and other operating support. The last time the Race was hosted in Rhode Island was for the 12th Edition of the Race held in May 2015; a total of \$775,000 in general revenues were appropriated for the race that year. *The Governor recommends \$775,000 from general revenues for the 2018 race.*

Other Salaries and Benefits. The Department requests \$5.3 million from all funds, or \$0.5 million more than enacted for remaining salaries and benefits in the Office of the Director, including \$0.4 million more from general revenues and \$0.1 million more from restricted receipts. The request is for the enacted level of 39.5 full-time equivalent positions, and the increase reflects \$0.1 million more for the updated benefit rates and \$0.4 million to restore all of the turnover savings assumed in the enacted budget, which is equivalent to filling 4.0 full-time equivalent positions.

The fund shift from general revenues to restricted receipts represents the Department's attempt to shift the maximum eligible personnel expenditures to restricted accounts. A large portion of the restricted receipt funding is generated through the Department's indirect cost recoveries from federal grants. These are generally used to fund administrative expenses. *The Governor recommends \$13,548 less than requested from general revenues to reflect statewide benefit savings.*

Other Operations. The Department requests \$0.4 million, or \$8,487 less than enacted from all funds for all other operations in the Office of the Director. The request includes \$22,487 less from general revenues and \$14,000 more from restricted receipts. The request includes \$0.1 million for the abandoned vessel removal account, \$0.1 million for boat registration fees and penalties, \$0.1 million for licensing costs associated with the Department's conversion to Microsoft Office 365 and \$0.1 million for office supplies and expenses. The reduction from general revenues reflects \$33,000 less for computers. The enacted budget assumed licensing costs associated with the Department's conversion to Microsoft Office 365; however, the conversion was finalized in FY 2016. It is also offset by \$8,741 more for mobile expenses, which are consistent with FY 2016 expenditures. The increase from restricted receipt funding reflects \$5,000 more for postal services, \$3,000 more for printing expenses and \$3,000 more for computer equipment for the Office of Boat Registration and Licensing.

The Department also submitted a constrained request that reduces office supplies and maintenance expenses at an estimated savings of \$10,600 in the Office of the Director. *The Governor recommends \$5,750 less than requested from general revenues to remove funding for miscellaneous expenses in the Office of Legal Services consistent with her FY 2017 revised recommendation.*

Bureau of Environmental Protection

The Bureau of Environmental Protection is responsible for preventing and minimizing pollution to, and monitoring the quality and overseeing the restoration of water, air, and land. The Bureau includes six regulatory offices:

- The Offices of Water Resources, Air Resources, and Waste Management evaluate applications, issue permits that meet State and federal requirements, and oversee permit compliance.
- The Office of Compliance and Inspection investigates citizen complaints that are within the Bureau's responsibility and is the centralized administrative office for enforcement.
- The Office of Customer and Technical Assistance coordinates the review of projects requiring multiple applications and permits and is the centralized administrative office for the receipt of applications.
- The Office of Emergency Response responds to spills of oil and chemicals.

Water Resources New Positions (2.0 FTE). The Department requests \$0.2 million from general revenues for two new full time equivalent positions in the Office of Water Resources. The request includes 1.0 Senior Environmental Scientist who would enhance the water quality monitoring program in the Office of Water Resources. This position would expand data collection to reduce key gaps in needed information used by multiple programs to identify water pollution problems. It also includes 1.0 new Principal Environmental Scientist who would establish a lake management program to address growing public concerns about degradation of conditions in freshwater lakes and ponds as a consequence of the growth of invasive plants, excess algae and other pollution concerns.

The Department's constrained request excludes these positions.

The Governor recommends \$0.1 million from general revenues and authorization for 1.0 Senior Environmental Scientist.

Water Resources Staffing. The Department requests \$6.4 million, or \$0.2 million less than enacted for salaries and benefits for 69.0 full-time equivalent positions for the Office of Water Resources. The division is responsible for the state's water resources that are used for recreation, habitat and commerce. The reduction consists of \$39,080 more for the updated benefit rates and \$113,900 more for the wages of seasonal employees, offset by \$315,206 for turnover savings, which is equivalent to filling 3.0 full-time equivalent positions.

The Department's constrained request includes general revenue savings of \$0.1 million, which would be achieved by eliminating one Civil Engineer position, which is currently filled.

The Governor recommends \$1,029 more than requested from general revenues, which includes \$24,889 less for statewide saving and \$25,918 more to restore turnover savings based on current staffing levels.

Waste Management Staffing. The Department requests \$3.1 million, or \$0.3 million more than enacted for salaries and benefits for 37.0 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 increase consists of \$18,651 more

for the updated benefit rates, \$8,003 more for overtime expenses and \$261,372 more to restore turnover savings assumed in the enacted budget, which is equivalent to filling 2.0 full-time equivalent positions.

The Department's constrained request includes general revenue savings of \$0.2 million, which would be achieved eliminating 3.0 currently filled positions, a Sanitary Engineer, a Junior Sanitary Engineer and a Receptionist. *The Governor recommends \$1,765 less from general revenues than requested to reflect statewide benefit savings.*

Air Resources New Positions (2.0 FTE). The Department requests \$0.1 million from general revenues for two new air quality specialist positions to improve response time in the Office of Air Resources' permitting programs. The Department notes that it has a significant backlog of permit applications for pre-construction permits resulting in an increase in processing time for applications.

The Department's constrained request excludes the new positions.

The Governor does not fund the positions.

Air Resources Staffing. The Department requests \$3.8 million, or \$0.3 million more than enacted for salaries and benefits for 28.0 authorized full-time equivalent positions for the Office of Air Resources. This includes \$0.1 million more from general revenues, \$0.1 million more from federal funds and \$0.1 million more from restricted receipts. The division is responsible for the preservation, protection and improvement of air quality in Rhode Island. The proposed increase consists of \$22,810 more for the adjusted benefit rates, \$7,000 more for overtime expenses and \$224,203 to restore turnover savings assumed in the enacted budget, which is equivalent to filling 2.0 full-time equivalent positions.

The Department's constrained request includes general revenue savings of \$0.2 million by eliminating the Environmental Quality Technician position, which is currently filled.

The Governor recommends \$60,652 less than requested from general revenues. The recommendation includes \$10,295 less for statewide benefit savings and \$50,357 in additional turnover savings to reflect current staffing levels.

Compliance and Inspection New Position (1.0 FTE). The Department requests \$0.1 million from general revenues for 1.0 environmental scientist to enhance compliance monitoring under wetland and water quality in the Office of Compliance and Inspection. This position will be responsible to significantly improve the timeliness of the Department's response to complaints of non-compliance. As part of the FY 2017 budget, the Governor recommended this position. The Assembly did not concur; the Department filled the position.

The Department's constrained request excludes the position.

The Governor recommends the funding and position as requested.

Compliance and Inspection Staffing. The Department requests \$3.9 million, or \$0.1 million more than enacted for salaries and benefits for 22.0 full-time equivalent positions for the Office of Compliance and Inspection, which is responsible for regulatory enforcement activities related to air, waste and water resources. This includes \$0.1 million more from general revenues, \$859 more from federal funds and \$16,239 more from restricted receipts. The proposed increase includes \$23,302 more for the updated benefit rates and \$0.1 million to restore turnover savings assumed in the enacted budget, which is equivalent to filling 1.0 full-time equivalent position.

The Department's constrained request includes general revenue savings of \$0.2 million in the Office of Compliance and Inspection, which would be achieved by eliminating two Senior Environmental Scientists,

which are currently filled. *The Governor recommends \$99,613 less from general revenues than requested. The recommendation includes \$13,102 less for statewide benefit savings and \$86,511 in additional turnover savings based on current staffing levels.*

Air Toxic Ambient Monitoring. Consistent with its FY 2017 revised request, the Department requests \$0.2 million from federal funds to reflect a new grant by the Environmental Protection Agency's Office of Air Radiation to monitor five sites along the Interstate 95 highway. Funds will be used for monitoring equipment, electrical work at sites and electricity usage. *The Governor recommends funding as requested.*

Diesel Emissions Program. Consistent with its FY 2017 revised request, the Department requests \$0.2 million from federal funds to reflect a new non-competitive grant allocated to the Department by the Environmental Protection Agency to continue developing grant, rebate or low cost revolving programs to fund clean diesel projects. Congress passed the Diesel Emissions Reduction Act in 2005, with the purpose of reducing public health risk from exposure to harmful diesel exhaust and target areas of poor air quality and reducing diesel emissions from existing fleets that do not meet federal emission standards. *The Governor recommends funding as requested.*

National Pollution Discharge Elimination System. The Department requests \$0.4 million from federal funds, or \$0.1 million more than enacted for its pollutant discharge elimination system. The request is more than enacted to reflect funds carried forward to continue efforts at monitoring and assessing the ecological condition of freshwater wetlands in partnership with the Rhode Island Natural History Survey, restoring freshwater wetlands and buffers in partnership with the Environmental Law Institute and monitoring and preserving the state's coastal salt marshes in partnership with the Rhode Island Coastal Resources Management Council. *The Governor recommends funding as requested.*

Rose Hill Landfill. The Department requests \$0.2 million from general revenues, or \$45,500 less than enacted for maintenance and monitoring activities at the state's superfund site located at the former Rose Hill Landfill in South Kingstown. The Department has indicated that due to the unpredictable nature of landfill gases, it is difficult to predict how much maintenance will be needed in a given year. *The Governor recommends funding as requested.*

Strengthening Regional Partnerships. The Department requests \$0.1 million from federal funds to reflect a new grant, which was awarded by the Environmental Protection Agency for a watershed counts initiative in partnership with the University of Rhode Island's Coastal Institute. The initiative focuses on protecting the headwaters of Narragansett Bay. *The Governor recommends funding as requested.*

New Vehicles. The Department requests \$0.1 million from general revenues, which includes \$20,000 to lease two new vehicles for the Office of Water Resources' onsite wastewater treatment system program, \$50,000 to purchase a new sport utility vehicle for the division's shellfish monitoring program and \$22,000 for maintenance and repairs. The enacted budget did not include any funds for these vehicles. The vehicles for the onsite wastewater treatment system program will replace current vehicles, which are over-ten years old and have over 175,000 miles and the vehicle for the division's shellfish monitoring program will replace a 23 year-old vehicle, which has over 160,000 miles. The Department notes that staff is in need of reliable transportation to properly perform inspections and monitoring tasks.

The Department also submitted a constrained request, which excludes this purchase.

The Governor recommends \$55,522 from general revenues, which is \$31,522 more than enacted to represent the first year of a three-year plan to lease three new vehicles offset by savings for maintenance and repairs for the older vehicles.

Oil Spill Prevention, Administration and Response Fund. The Department requests \$1.2 million from restricted receipts, or \$2,520 more than enacted for 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 \$1.0 million in FY 2014, \$0.8 million in FY 2015 and \$1.1 million in FY 2016. 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.*

Other Federal Grants. The Department requests \$3.8 million, or \$0.3 million less than enacted from federal funds from the remaining 25 grants in the Bureau of Environmental Protection. The request includes \$0.9 million for the Non-Point Source Pollution Management program, \$0.6 million for the Air Pollution Control program, \$0.6 million for the groundwater program, \$0.4 million for Rhode Island Brownfields \$0.2 million for the Department of Defense sites restoration program, \$0.2 million for Homeland Security, \$0.3 million for the leaking underground storage tanks, \$0.1 million for the air monitoring program and \$0.1 million for the dam incident reporting program. The reduction from federal funds reflects \$0.1 million less for the non-point source pollution management project, \$0.1 million less for the water quality management program and \$0.1 million less for the floods disaster recovery study. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$4.6 million from all funds, or \$48,073 more than enacted for all other salaries and benefits in the Bureau of Environmental Protection, which includes the office of administration, the office of environmental response, the office of technical and customer assistance and the office of Rhode Island Pollutant Discharge Elimination System. The request includes \$0.1 million less from general revenues, \$0.1 million more from federal funds and \$0.1 million more from restricted receipts. The proposed increase includes \$10,360 for some of the seasonal employees, \$11,746 for the updated benefit rates and \$25,967 to restore turnover savings assumed in the enacted budget. The enacted budget includes \$0.5 million of turnover savings.

The Department's constrained request includes general revenue savings of \$0.8 million and restricted receipts savings of \$0.1 million by reducing staffing. The affected positions would be a Supervising Sanitary Engineer, a Clerk Secretary from the Office of Customer and Technical Assistance, one Principal Civil Engineer and one Supervising Environmental Scientist. *The Governor recommends \$12,142 less than requested from general revenues to reflect statewide benefit savings.*

All Other Operations. The Department requests \$3.9 million from all funds, or \$0.2 million more than enacted for all other programs and operations in the Bureau of Environmental Protection. The request includes \$997 less from general revenues and \$0.2 million more from restricted receipts. The request includes \$2.2 million for reimbursement for leaking underground storage tanks, \$0.9 million for the environmental response fund II, \$0.5 million for the state revolving fund administration and \$0.1 million for the environmental trust. The increase from restricted receipts primarily reflects \$0.2 million more for the Environmental Response Fund II to 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 Department notes that it cannot predict how much will be needed in a particular fiscal year.

The Department's constrained request reduces office supplies and other office expenses by \$21,913.

The Governor recommends funding essentially consistent with the unconstrained request.

Bureau of Natural Resources

The Bureau of Natural Resources protects, manages, and restores the state's wide array of historic parks, beaches, recreational facilities, and green spaces. The Bureau includes nine divisions: Agriculture, Coastal Resources, Law Enforcement, Forestry, Fish and Wildlife, Parks and Recreation, Planning and Development, Marine Resources, and the Narragansett Bay Estuarine Research Reserve. It also includes the Department's Warehouse and Service Center.

New Park Manager Positions (2.0 FTE). The Department requests \$0.1 million from general revenues for 2.0 new park managers in the Division of Parks and Recreation to improve visitor safety and minimize overtime by allowing the division to manage properly high volume attractions and to provide adequate oversight and supervision of seasonal employees. The budget assumes the positions would be filled before the end of the second quarter of FY 2018. *The Governor does not recommend the new positions.*

Environmental Police Officer New Positions (3.0 FTE). The Department requests \$0.2 million from general revenues for 3.0 new Environmental Police Officers in the Division of Law Enforcement to address the continued expansion of visitors to the state's parks and beaches, as well as the increase of recreational boaters. An increase in public use requires an increase in police to meet the demand for public safety and to protect the natural resources. The budget assumes the positions would be filled for two thirds of the year. *The Governor does not recommend the new positions.*

Merchandising. The Outdoor Recreation Council's final report: "A Vision of Outdoor Recreation in Rhode Island," recommends the creation of a new unified merchandising brand through collaboration between the state tourism campaign and recreation advocates.

The Governor recommends \$121,978 from restricted receipts and one new full-time equivalent position to support the new program. Funding will be derived from merchandising sales at state recreational areas managed by the Department. The proceeds will support staff and operating costs with surplus funds going to support the maintenance of state parks.

Parks and Recreation Staffing. The Department requests \$7.1 million from general revenues, or \$0.1 million less than enacted for salaries and benefits for 41.0 full-time equivalent positions in the Division of Parks and Recreation, which manages eight major state parks, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and other secondary parks, historic sites and monuments totaling approximately 14,000 acres. The proposed reduction includes \$17,547 more for updated benefit rates and \$0.1 million less for additional turnover savings.

The Department's constrained request includes general revenue savings of \$1.0 million in the Division of Parks and Recreation, which would be achieved by staffing reductions. The affected positions would be an administrative officer, an administrative clerical support, four maintenance classification positions, and four park managers, which are all currently filled.

The Governor recommends \$24,938 more than requested from general revenues, which includes \$0.1 million more for seasonal employees to reflect her proposal to increase the minimum wage to \$10.50 per hour effective October 1, 2017, and \$39,693 less for statewide benefit savings.

Parks and Recreation Operations. The Department requests \$3.3 million from general revenues, or \$0.2 million more than enacted for non-staffing expenses for its Division of Parks and Recreation. The Department's request includes \$125,000 more for building and ground maintenance to cover landscaping and beach cleaning contracts. The Department notes that the landscaping services and beach cleaning

services contracts began April 1, 2016. It also includes \$82,000 more to lease seven vehicles, assuming a per vehicle cost of \$35,000 for the Division of Parks and Recreation. The Department notes that the vehicles would replace current vehicles, which are over ten years-old and have over 150,000 miles. The Department's request is 5.3 percent above the enacted budget and 18.6 percent below FY 2016 expenditures.

The Department's constrained request reduces fuel, office supplies, maintenance and other expenses for an estimated savings of \$154,000.

The Governor recommends \$0.1 million less than requested from general revenues. The recommendation includes \$21,917 less for leasing expenses based on a per vehicle cost of \$25,000. It includes \$36,952 less for vehicle maintenance expenses from the replacement of old vehicles. It also includes \$25,000 less for safety supplies for beaches consistent with FY 2016 expenditures and \$13,998 less for natural gas based on statewide savings.

Eisenhower House. Under current law, the Historical Preservation and Heritage Commission is responsible for the management and operation of the Eisenhower House in Newport, a historic property owned by the state, which is available for public rental year-round. The Commission requests \$143,562, which is \$32,475 less than enacted from general revenues for staffing and operations at the Eisenhower House. The decrease is reflective of turnover savings and increased operational efficiency and lower maintenance costs associated with capital investments. The request includes staffing consistent with current operations, 1.0 full-time position and two seasonal maintenance positions. Turnover savings are anticipated from filling the vacant full-time position at a lower level than the incumbent.

The Governor recommends transferring the management of the Eisenhower House to the Department of Environmental Management. The Governor moves 1.0 Historic Preservation Specialist position and \$150,000 from general revenues to the Department for operations. The Governor also recommends transferring the receipts derived from booking fees from general revenues to a restricted receipt account within the Department and includes authority to spend \$138,150 to support the operations and maintenance of the facility.

Division of Agriculture New Positions (2.0 FTE). The Department requests \$0.1 million from general revenues for 1.0 new deputy chief of agriculture and 1.0 implementation aide in the Division of Agriculture who would focus on economic development within the agriculture, seafood and local food businesses. These positions will be responsible to engage effectively in marketing and promotion, business and product development, and regulatory streamlining. The budget assumes the positions would be filled at the beginning of the second quarter of FY 2018. *The Governor does not recommend funding for the new positions.*

Local Agriculture and Seafood Grants. Consistent with the enacted budget, the Department requests \$0.1 million from general revenues for the Local Agriculture and Seafood program to promote the marketing of Rhode Island seafood and farm products. The grants provide economic benefits to growing companies and are aligned with the state's food sector agenda. The Department consistently receives more applications than the program can fund with its existing appropriation. Funding will allow small businesses in the food sector to receive the grants. *The Governor recommends a \$0.1 million increase from general revenues, thereby doubling funding for the program.*

Fish and Wildlife Staffing. The Department requests \$6.0 million, or \$0.2 million more than enacted for salaries and benefits for 53.0 full-time equivalent positions for the Division of Fish and Wildlife. The Division of Fish and Wildlife manages the state's marine and freshwater, and upland resources to achieve a sustained yield for commercial fishermen, recreational fishermen and hunters; to enhance non-consumptive uses of wildlife; and to protect the state's rare and endangered species. The division maintains

state-owned management areas, fishing areas, and boat ramps. The increase consists of \$0.1 million more for the wages of seasonal employees, \$21,700 more for over time expenses to bring expenditures in line with historical spending and \$20,795 more for the updated Budget Office planning values.

The Department's constrained request includes general revenue savings of \$0.1 million in the Division of Fish and Wildlife, which would be achieved by staffing reductions. The affected position, which is currently filled, would be a superintendent of state piers. *The Governor recommends \$6,446 less than requested from general revenues to reflect statewide benefit savings.*

Fish and Wildlife. The Department requests \$13.0 million from all funds, or \$0.3 million more than enacted for non-staffing expenses for its Division of Fish and Wildlife. The request includes \$18,049 more from general revenues, \$0.1 million more from federal funds and \$0.1 million more from restricted receipts. The increase from general revenues reflects \$11,049 more for Coastal Resources for the removal of waste oil at Galilee and Newport Piers and \$7,000 more for the handgun safety program.

The increase from federal funds reflects \$0.1 million more for the Finfish Sector Management plan, which seeks to preserve, enhance and allow for any necessary regeneration of the fisheries of the state. The increase from restricted receipts reflects \$0.2 million more from anticipated revenues from fishing, hunting and marine license receipts, which the Division of Fish and Wildlife collects to continue offering specific program activities, which include fisheries and wildlife research and management, freshwater fish hatcheries and fish stocking programs, habitat restoration, public access, land acquisition, education and information, public angling and hunting programs, and commercial fisheries management.

The Department's constrained request reduces fuel, office supplies, maintenance and repairs expenses at an estimated savings of \$26,423.

The Governor recommends general revenues consistent with the constrained request and \$86,836 less from shellfish and marine license restricted receipts based on actual revenues.

Amphibian and Reptile Conservation. Consistent with its FY 2017 revised budget, the Department requests \$0.2 million from federal funds to reflect a new grant awarded from the United States Fish and Wildlife Service. The grant is for the Department's Division of Fish and Wildlife to continue conducting research on and publishing existing information about amphibians and reptiles in Rhode Island and to develop conservation plans to support these species. *The Governor recommends funding as requested.*

Atlantic Coastal Cooperative Statistics Program. The Department requests \$0.2 million from federal funds, or \$0.1 million more than enacted for advancing fishery dependent data collection for black sea bass utilizing modern technology and a fishing vessel research fleet approach in partnership with the Commercial Fisheries Research Foundation. The request reflects additional funds received from this federal program through the National Oceanic and Atmospheric Administration. *The Governor recommends funding as requested.*

Freshwater and Marine Boating Access. The Department requests \$0.3 million from federal funds to reflect a new grant awarded from the United States Fish and Wildlife Service to support maintenance activities for public access at Rhode Island's numerous freshwater and marine boat ramps. *The Governor recommends funding as requested.*

Great Swamp Range Expansion. The Department requests \$0.6 million from federal funds to reflect a new grant awarded from the United States Fish and Wildlife Service for a new project to expand the existing range at the Great Swamp Management Area in West Kingston to include eight additional shooting lanes that are 100 yards long to complement the existing 50-yard range. *The Governor recommends funding as requested.*

Mitigation of Multispecies Fishery Disaster. The Department requests \$1.0 million from federal funds, to reflect a new grant from a series of grants awarded by the National Oceanic and Atmospheric Administration as a result of the 2012 ground fish disaster declaration. Under the plan adopted by the state and the National Oceanic and Atmospheric Administration, one third of the funding will go to fishermen in the form of direct assistance. In Rhode Island, 43 permit holders in the state with over 5,000 pounds of ground fish landings in any one of the past four years will receive direct assistance of \$32,463 each. *The Governor recommends funding as requested.*

West Nile Virus. The Department requests \$0.2 million from federal funds, or \$0.1 million more than enacted to reflect additional funds awarded by the Centers for Disease Control and Prevention to the Rhode Island Department of Health, who in turn passed them on to the Department for the purpose of controlling the outbreak of communicable diseases such as the West Nile Virus, Eastern Equine Encephalitis and Zika Virus. Funding will be used by the Department for additional travel funds for the program coordinator to attend seminars, and personal vehicle travel reimbursement expenses for personnel collecting mosquito traps. A significant portion of the funds will be used for the purchase of pesticides for distribution to the cities and towns, trapping supplies as well as other supplies necessary to complete the collection and diagnostics of mosquitos. *The Governor recommends funding as requested.*

Wildlife Outreach and Technical Assistance. The Department requests \$0.2 million from federal funds to reflect a new grant awarded by the United States Fish and Wildlife Service to provide programs and technical assistance to school children and adults about wildlife in the state. *The Governor recommends funding as requested.*

Port Security Grant Program. The Department requests \$0.4 million from federal funds to reflect a new grant awarded to the Department by the United States Department of Homeland Security's Port Security Grant Program. The Department notes that these funds will only be used by the Division of Law Enforcement to purchase two new patrol boats to continue protecting the state's natural resources and ensuring compliance with all environmental conservation laws. *The Governor recommends funding as requested.*

Recreational Projects. The Department requests \$1.1 million from other funds, or \$0.3 million more than enacted 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 requested increase for FY 2018 would be used for improvements at Oak Bluffs in Block Island and Salter Grove State Park in Warwick. *The Governor recommends funding as requested.*

Host Beach Communities. The Department requests \$0.5 million from general revenues, or \$62,500 more than enacted for payments to host beach communities. The request reflects the anticipated payments to the host beach communities based on actual summer 2016 collected fees. 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 27 percent of all daily parking fees collected from Memorial Day to Labor Day. The 2016 General Assembly increased the percentage shared with the host communities from 16 percent to 27 percent of the daily parking fees. Total payments to the host beach communities have averaged \$0.4 million over the last five fiscal years. *The Governor recommends funding as requested.*

Natural Heritage Revolving Fund. The Department eliminates the \$0.3 million enacted from restricted receipts for the natural heritage revolving fund. The Department notes that as a revolving loan program, the Department makes funds available for any municipality that needs to borrow for project development. The central fund is replenished as the municipality pays back its loans, creating the opportunity to issue

other loans to new projects. However, the Department notes that there has been no activity in recent fiscal years. *The Governor recommends funding as requested.*

World War II State Park Transition to Woonsocket. Consistent with the enacted budget, the Department requests \$250,000 from general revenues for the third year of a five-year initiative to transfer maintenance and operation of the park from the state to Woonsocket following the completion of the capital project. The Department and the City of Woonsocket signed a memorandum of agreement concerning the park in December 2014 that was approved by the State Properties Committee in February 2015. The capital project was completed in FY 2016. *The Governor recommends funding as requested.*

Outdoor Recreation Investments. The Outdoor Recreation Council was created in January 2016 after executive order 16-01 was signed. The Council was charged with developing a strategic plan to grow and promote recreation in Rhode Island. The Council presented a report on December 14, 2016 entitled, “A new vision of outdoor recreation in Rhode Island.”

The Governor recommends \$2.5 million from general revenues for outdoor recreation spending support. Funding will be directed to local recreation matching grants, state and local recreation programming such as environmental education and events programming, and state capital funding for recreation related acquisition and maintenance. The Governor’s budget identifies funding for this program as being derived from the recommended \$8.7 million generated by the increase to the cigarette tax.

Capital Projects. The Department requests \$10.3 million from all sources, or \$3.0 million less than enacted for eleven capital projects. This includes \$2.2 million less from restricted receipts, \$1.2 million less from Rhode Island Capital Plan funds and \$0.4 million more from federal funds. Funding will be used 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 less than enacted to reflect the revised project schedule and construction cost estimates. The Department’s operating request is consistent with its FY 2018 through FY 2022 capital request.

The Governor recommends \$15.7 million for thirteen capital projects, which is \$5.4 million more than requested. The projects are described in detail in the Capital Budget section of this publication.

Federal Grants. The Department requests \$2.9 million, or \$0.2 million less than enacted from federal funds to more accurately reflect the Department’s remaining funds from 16 grants in the Bureau of Natural Resources. The request includes \$0.6 million for the Division of Agriculture, \$1.3 million for the Division of Law Enforcement, \$0.3 million for Division of Forest Environment and \$0.7 million for the administration of the Bureau of Natural Resources. The reduction reflects \$0.1 million less for the cooperative forestry program, which assists in the advancement of forest resources management and conservation and \$0.1 million less for the enforcement of pesticide rules and regulations in the state. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Department requests \$11.0 million from all funds, or \$25,458 more than enacted to fully fund the 90.7 remaining positions in the Bureau of Natural Resources, which includes the Division of Enforcement, the Division of Forest Environment, the Division of Planning and Development and the Division of Agriculture. The request includes \$0.2 million more from general revenues, \$0.2 million less from federal funds and \$0.1 million more from restricted receipts. The increase includes \$47,874 more for overtime expenses to bring expenditures in line with historical spending, \$38,314 more for the updated Budget Office planning values and \$60,730 less for turnover savings.

The Department’s constrained request includes general revenue savings of \$1.0 million in the Bureau of Natural Resources, which would be achieved by staffing reductions. The affected positions, which are

currently filled would include an Electrician Supervisor, a Forest Ranger, a Senior Environmental Planner, a Principal Civil Engineer, a Senior Environmental Planner and an Engineer Technician IV. *The Governor recommends \$0.2 million less than requested from general revenues, which includes \$59,527 less for statewide benefit savings and \$114,834 in additional turnover savings.*

All Other Operations. The Department requests \$2.9 million, or \$0.1 million less than enacted from all funds for all other operations in the Bureau of Natural Resources. This includes \$5,801 less from general revenues and \$0.1 million less from restricted receipts. The request includes \$2.0 million for the Blackstone Bike Path Design project, \$0.2 million for enforcement activities, \$0.2 million for forest environment, \$0.1 million for the boating registration, \$0.2 million for local agriculture and seafood operating expenses, \$0.1 million for the state forestry fund and \$0.1 million for the environmental trust. The reduction from restricted receipts reflects \$0.1 million less for the environmental trust, to reflect actual receipts. The reduction from general revenues reflect \$33,770 less for forest environment, which is offset by \$10,603 for general office supplies for enforcement activities.

The Department's constrained request reduces general office supplies, maintenance and repair expenses at an estimated savings of \$53,817. *The Governor recommends funding consistent with the constrained request.*

Coastal Resources Management Council

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 3,475,156	\$ 3,517,966	\$ 3,812,640	\$ 3,570,760
Contracted Services	3,015,974	3,597,001	954,879	279,879
Subtotal	\$ 6,491,130	\$ 7,114,967	\$ 4,767,519	\$ 3,850,639
Other State Operations	103,420	248,448	188,800	188,800
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,200	500,206	256,197	355,184
Capital	477,775	576,775	14,063,000	838,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 7,322,525	\$ 8,440,396	\$ 19,275,516	\$ 5,232,623
Sources of Funds				
General Revenue	\$ 2,452,438	\$ 2,500,547	\$ 2,947,161	\$ 2,558,332
Federal Aid	4,148,312	5,218,074	1,553,355	1,649,291
Restricted Receipts	250,000	250,000	250,000	250,000
Other	471,775	471,775	14,525,000	775,000
Total	\$ 7,322,525	\$ 8,440,396	\$ 19,275,516	\$ 5,232,623
FTE Authorization	29.0	29.0	33.0	29.0

Summary. The Coastal Resources Management Council requests \$19.3 million from all sources, which is \$12.0 million more than the enacted budget, including \$0.5 million more from general revenues, \$2.6 million less from federal funds and \$14.1 million more from Rhode Island Capital Plan funds. The Council requests 33.0 full-time equivalent positions, which is 4.0 more than the enacted budget. The Council also submitted a constrained request that excludes the new positions and eliminates three to four currently authorized positions at an estimated savings of \$0.7 million.

The Governor recommends \$5.2 million, which is \$2.1 million less than enacted. It is \$14.0 million less than the request, primarily reflecting her recommendation to fund a project through the issuance of debt instead of the Rhode Island Capital Plan funds requested.

Target Issues. The Budget Office provided the Council with a general revenue target of \$2.3 million. The amount includes current service adjustments of \$26,693 and an 8.0 percent target reduction of \$0.2 million. The Council's constrained budget is \$2,800 below the target. *The Governor's recommendation is \$0.3 million above the target.*

FY 2018 Budget	Budget Office		CRMC	Difference		
FY 2017 Enacted	\$	2,452,438	\$	2,452,438	\$	-
Current Service Adjustments		26,693		26,693		-
New Initiatives		-		468,030		468,030
Change to FY 2017 Enacted	\$	26,693	\$	494,723	\$	468,030
FY 2018 Current Service/Unconstrained Request	\$	2,479,131	\$	2,947,161	\$	468,030
Target Reduction/Initiatives		(198,330)		(669,160)		(470,830)
FY 2018 Constrained Target/Request	\$	2,280,801	\$	2,278,001	\$	(2,800)
Change to FY 2017 Enacted	\$	(171,637)	\$	(174,437)	\$	(2,800)

National Oceanic and Atmospheric Administration Funds. The Council requests \$308,954, or \$152,079 more than enacted from federal funds to reflect a combination of unspent funds from prior years and the receipt of \$128,500 in additional funds from the National Oceanic and Atmospheric Administration as part of the Coastal Zone Management Act. The additional funds from the National Oceanic and Atmospheric Administration were received in July of 2016 since the state of Oregon recently lost some of its funding and it was redistributed among the rest of participating states.

In addition to annual operating support, the request includes \$35,000 more to finalize the purchase of two vehicles, \$15,000 more for auto maintenance and fuel, \$28,625 more for computer upgrades and information technology support, \$7,500 more for advertising and printing expenses, \$4,100 more for maintenance and repair expenses, \$15,500 more for travel expenses, \$15,273 more for office supplies, \$5,600 more for postal and delivery expenses, \$6,000 more for contracted professional services, \$6,400 more for communication system expenses and \$13,000 more for other expenses such as furniture and equipment, staff training and miscellaneous expenses. *The Governor recommends funding as requested.*

Permitting Database. Consistent with its revised request, the Council requests \$150,000 from general revenues for a new permitting database to be built and managed for the agency. The Council indicates its current permit database was developed 20 years ago and is outdated and in need of replacement. The agency notes that the \$150,000 would represent an annual payment to a vendor for database functionality and maintenance. The Council requested the database in the last two budget cycles, but in both instances the Governor did not recommend it and the Assembly did not include it in the enacted budget. *The Governor does not recommend the funding.*

New Positions (4.0 FTE). The Council requests \$0.2 million from general revenues for 4.0 new full-time equivalent positions for FY 2018, including a coastal policy analyst II and a climate specialist, who would develop and implement a series of special area management plans to address specific regional issues for the marine resources development plan team. There is also a supervising environmental scientist and 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. The request assumes that it would take approximately three quarters of FY 2018 to fill the new positions. The Council requested the new positions in the last two budget cycles, but in both instances the Governor did not recommend it and the Assembly did not include it in the enacted budget.

The Council also submitted a constrained request that does not include the four new positions.

The Governor does not fund the new positions.

Other Salaries and Benefits. The Council requests \$3.6 million, or \$0.2 million more than enacted from all sources, for salaries and benefits to fully fund the 29.0 full-time equivalent authorized positions. The request includes \$136,891 to restore turnover savings assumed in the enacted budget and \$26,693 for benefit savings and benefit rate changes consistent with planning values for FY 2018. The Council currently has one vacancy, a principal ocean engineer, which the council anticipates will be filled at the beginning of the fourth quarter of FY 2017.

The Council also submitted a constrained request that eliminates three to four currently authorized positions at an estimated savings of \$0.5 million. The Council declined to publicly identify the positions it proposes to eliminate or the potential impact.

The Governor recommends \$95,604 more than enacted. This is \$67,980 less than requested and assumes the vacant Ocean Engineer position is not filled for six months of FY 2018 as well as statewide savings.

Pawtuxet River Modeling Project. The Council's request excludes the \$62,970 in the enacted budget from federal funds for a project to create a validated geographic information system-based watershed and river model for the Pawtuxet River watershed, assess flooding risks to public and private property along the river, and evaluate dam management issues. The Council indicates that the flood risk assessment information will be used to prepare adaptation and mitigation plans. The project commenced in September 2015 and has an expected completion date of August 2017. *The Governor recommends funding as requested.*

Aquatic Invasive Species. The Council requests \$1,000, which is \$4,000 less than enacted from federal funds for the aquatic invasive species management program, which coordinates and communicates early detection and rapid response strategies to prevent the spread of aquatic invasive species. The Council indicates that its projection for FY 2016 spending was too high, therefore all unspent funds will be used in FY 2017. *The Governor recommends funding as requested.*

High Resolution Coastal Inundation Grant. Subsequent to the Council's budget submission, it received a new grant from the National Oceanic and Atmospheric Administration. The goal of the grant is to develop tools, information and approaches to support decisions for the expanded implementation and innovation of green infrastructure/living shoreline approaches to increase coastal resilience to erosion, flooding, and storm impacts in each of the coastal New England states. *The Governor's budget includes \$28,987 from federal funds.*

Coastal Resilience III: Shoreline Change Maps and Parcel Data. Subsequent to the Council's budget submission, it received a new grant from the Executive Office of Commerce, Office of Housing and Community Development. The grant will support recovery planning in all twenty one Rhode Island Coastal Municipalities with existing and updated shoreline change data and a coordinated parcel dataset format to enable future statewide application of the Rhode Island Coastal Environmental Risk Index that is currently under development. *The Governor's budget includes \$70,000 from federal funds.*

Capital Projects. The Council requests \$14.8 million, including \$14.5 million from Rhode Island Capital Plan funds, \$0.3 million from restricted receipts and \$26,727 from federal funds for capital projects. This is \$11.4 million more than the approved plan to reflect \$14.0 million more for the confined aquatic dredged material disposal cells project; \$0.4 million more for the Rhode Island coastal storm risk study; \$3.0 million less for the south coast restoration project and \$15,000 less for the narrow river salt marsh restoration project. The Council's FY 2018 request is not consistent with its FY 2018 through FY 2022 capital request since the Council is now requesting from federal funds \$21,727 for the south coast restoration project and \$5,000 for the Narrow River Salt Marsh restoration project.

The Governor recommends \$13.8 million less than requested to reflect changes to two projects, the largest being that the dredged material project be funded through debt rather than Rhode Island Capital Plan funds. Legislation authorizing that debt is contained in Article 16. These projects are described in greater detail in the capital section of this publication.

All Other Operations. The Council requests \$0.2 million, or \$2,095 more than enacted from all sources for all other operations, which includes \$15,000 more for a new initiative to monitor the migration off the shore barrier at Charlestown, which began in calendar year 2016. The Council's Special Area Management

Plan includes comprehensive planning and monitoring to address the impacts of storm surge, flooding, sea level rise and erosion. The Special Area Management Plan is a tool for the Town of Charlestown to address coastal issues such as water quality and coastal development patterns. The request also includes \$9,995 less for a collaboration study with the University of Rhode Island to develop a coastal environmental risk index, \$2,000 less for temporary services and \$800 less for printing expenses. *The Governor recommends funding as requested.*

Department of Transportation

	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Expenditures by Program				
Central Management	\$ 9,204,542	\$ 13,308,290	\$ 10,973,605	\$ 11,556,032
Management and Budget	3,009,298	4,098,703	2,942,455	2,942,455
Infrastructure Program	466,244,005	517,051,471	497,207,479	495,991,841
Total	\$ 478,457,845	\$ 534,458,464	\$ 511,123,539	\$ 510,490,328
Expenditures by Category				
Salaries and Benefits	\$ 80,684,364	\$ 80,240,782	\$ 87,877,087	\$ 88,885,543
Contracted Services	38,664,600	39,315,642	38,794,600	38,815,480
Subtotal	\$ 119,348,964	\$ 119,556,424	\$ 126,671,687	\$ 127,701,023
Other State Operations	34,381,436	39,396,198	38,713,722	37,222,722
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	24,396,400	27,482,381	23,265,569	23,265,569
Capital	214,394,670	250,840,938	232,506,956	220,387,990
Capital Debt Service	-	-	-	-
Operating Transfers	85,936,375	97,182,523	89,965,605	101,913,024
Total	\$ 478,457,845	\$ 534,458,464	\$ 511,123,539	\$ 510,490,328
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	272,409,980	271,544,359	275,242,789	275,390,062
Restricted Receipts	180,219	3,610,153	3,168,128	3,168,128
Other	205,867,646	259,303,952	232,712,622	231,932,138
Total	\$ 478,457,845	\$ 534,458,464	\$ 511,123,539	\$ 510,490,328
FTE Authorization	701.0	741.0	775.0	775.0

Summary. The Department of Transportation requests FY 2018 expenditures of \$511.1 million from all sources, \$32.7 million more than enacted. This includes \$2.8 million more from federal funds, \$3.0 million more from restricted receipts and \$26.8 million more from other funds, of which \$9.2 million is from Rhode Island Capital Plan funds. The Department requests staffing of 775.0 full-time equivalent positions, 74.0 positions more than the authorized level and 34.0 more than the FY 2017 revised request.

The Governor recommends total expenditures of \$510.5 million from all sources. This is \$32.0 million more than enacted and \$0.6 million less than requested. She recommends the 74.0 additional positions consistent with the request. As of the pay period ending January 21, 2017, the Department had 69.0 positions vacant.

Reorganization

The 2015 Assembly enacted legislation in Article 15 of 2015-H 5900, Substitute A, as amended, repealing the current department divisions: administration (including the business management office, legal counsel, public information office, audit office, and property management office), planning, public works,

maintenance, and airports. The legislation requires the Department of Transportation to be organized in accordance with a project management-based program and utilize an asset management system in order to manage the delivery of projects from conception to completion, the director to appoint a chief operating officer to oversee daily operations of the Department, and repealed the requirement for a deputy director who must be a highway engineer.

The legislation requires the following divisions: finance, planning, project management, and operations and maintenance. It also requires the offices of civil rights, safety, external affairs, legal, personnel, information services and other divisions or subdivisions as the Director deems necessary. The Department is currently working on the reorganization, which consists of three phases. The first phase includes the development of a project management methodology and developing job descriptions for new positions. The Department is currently working on phase II, which includes defining performance metrics. Phase III will include training and defining goals.

Target Issues

The Department of Transportation does not receive general revenue funding and was not required to meet a target reduction set by the State Budget Office; however, based on anticipated resources from gasoline tax proceeds and transportation related fees and surcharges collected by the Division of Motor Vehicles, it was provided with a target of \$188.0 million or \$17.6 million more than enacted. This reflects the transfer of all fees collected by the Division of Motor Vehicles, pursuant to current law.

FY 2018 Budget	Budget Office	Department of Transportation	Difference
FY 2017 Enacted	\$ 170,374,202	\$ 170,374,202	\$ -
Current Service Adjustments	17,618,687	10,687,167	(6,931,520)
New Initiatives	-	6,781,526	6,781,526
<i>Change to FY 2017 Enacted</i>	<i>\$ 17,618,687</i>	<i>\$ 17,468,693</i>	<i>\$ (149,994)</i>
FY 2018 Current Service/ Unconstrained Request	\$ 187,992,889	\$ 187,842,895	\$ (149,994)
Target Reduction/Initiatives	-	-	-
FY 2018 Constrained Target/Request	\$ 187,992,889	\$ 187,842,895	\$ (149,994)
<i>Change to FY 2017 Enacted</i>	<i>\$ 17,618,687</i>	<i>\$ 17,468,693</i>	<i>\$ (149,994)</i>

Though the request is \$0.1 million below the target, it overstates the transfers to the Rhode Island Public Transit Authority and the Rhode Island Turnpike and Bridge Authority, and it understates debt service for GARVEE projects. It adds \$4.3 million to partially fund the requested new positions. This is offset by anticipated savings from winter maintenance and debt service. *The recommendation is \$3.1 million more than the target.*

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.

The state's transportation funding is affected by its reliance on the gasoline tax and the revenue it yields. The FY 2017 gas tax is 34.0 cents, with 33.5 cents of that going towards transportation. The Department currently receives 19.25 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. 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. The per penny yield increased in FY 2014 for the first time in several years.

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
2015**	\$ 4,396,313	19.25	\$ 84,629,025
2016	\$ 4,479,185	19.25	\$ 86,224,311

*1 cent transferred from General Fund to DOT

**3.5 cents transferred from DOT to Turnpike and Bridge Authority

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, now provide the approximate \$40 million of annual match for federal funds, which was historically generated through borrowing. No new borrowing was necessary in November of 2012 for this match. All previously approved bonds have been issued and beyond that, 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, to transfer new revenue sources, as well as existing 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 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
<i>Resources Changes from Previous Plans</i>					
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
<i>Expenditures Changes from Previous Plans</i>					
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

New sources 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 article also established a schedule to transfer the majority of other transportation related fees that were previously 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 25.0 percent in FY 2016, 75.0 percent in FY 2017 and all in FY 2018.

The legislation also indexed 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 the fee transfers from general revenues are phased in. The proceeds are from previously authorized general obligation bonds that date back to before FY 2000, but had not been programmed by the Department. These were revealed following a FY 2014 review of bond proceeds as their use as federal match was ending. Additional Rhode Island Capital Plan funds were allocated to stabilize the annual funding.

The Assembly also transferred 3.5 cents of gasoline tax proceeds 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 transferred 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 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 revenues used for this purpose was to be increased in \$10 million increments until FY 2018.

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 following table.

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

At the end of May 2015, Governor Raimondo requested an amendment to her budget to permit the collection of tolls on large commercial trucks and authorize \$900 million of borrowing in order to provide \$700 million to partially fund the routes 6/10 connector project. Her plan was to ensure the number of structurally deficient bridges would be reduced to less than 10 percent in the next decade. The Rhode Island Turnpike and Bridge Authority would issue the debt. The House Finance Committee considered this proposal on June 2, 2015 but did not incorporate it into the FY 2016 budget. Separate bills containing a revised proposal were introduced on June 16 and 18 in the Senate and House, respectively. The revised proposal reduced the borrowing total, incorporated a restructuring of previous debt as well as certain economic incentives for Rhode Island businesses. The House Finance Committee heard 2015-H 6321 on June 22 but took no further action. The House recessed its session on June 25. The Senate adopted a version of that legislation in 2015-S 997, Substitute A.

In October 2015, the Department proposed its 10-year Transportation Improvement Program, reflective of its capital budget. The program included \$500 million of borrowing matched by \$400 million of federal funds for the routes 6/10 connector project.

The Assembly adopted new RhodeWorks legislation in 2016-H 7409, Substitute A, as amended that the Governor signed into law on February 11, 2016. The legislation allows the Department to borrow \$300.0 million through the Grant Anticipation Revenue Vehicle (GARVEE) Program and refinance existing GARVEE debt. The legislation adopted by the Assembly does not include any bonds backed by toll revenue.

Fund Sources

The Department of Transportation receives funding through four major sources: federal funds, gasoline tax proceeds, Rhode Island Capital Plan funds and transportation related fees collected by the Division of Motor Vehicles. General obligation bond proceeds had 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 used as the state match in lieu of future bonding; no new bonds have been authorized since 2010. 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 for FY 2018.

Source	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Federal Highway Admin. Funds	\$ 216,400,000	\$ 211,904,127	\$ 223,651,282	\$ 211,355,032
Other Federal Funds	56,009,980	59,640,232	51,591,507	64,035,030
Gasoline Tax*	90,581,475	106,887,077	100,975,174	104,525,423
Unallocated Bond Proceeds	-	[5,000,000]	[3,000,000]	[3,000,000]
Land Sale Revenue	1,000,000	1,041,771	1,173,125	1,173,125
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Rhode Island Capital Plan Funds	32,843,444	39,522,975	42,046,602	38,150,208
Restricted Receipts	180,219	3,610,153	3,168,128	3,168,128
Motor Vehicle Fee Transfer	79,792,727	110,202,129	86,867,721	86,433,382
Other Funds	150,000	150,000	150,000	150,000
Total	\$ 478,457,845	\$ 534,458,464	\$ 511,123,539	\$ 510,490,328

*Excludes gasoline tax debt service for the Department, RIPTA and costs for centralized services, which are in DOA.

Federal Funds - Highway Administration. On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation (FAST) Act for \$305 billion for five years. Under this authorization, the state would receive an average of \$231 million annually from the Federal Highway Administration. This is approximately \$21 million more through federal fiscal year 2021 than the Department previously received. These federal funds are apportioned to states according to authorizations contained in federal law.

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 and operating budgets. In the Department's capital plan, funds appear in the project labeled Highway Improvement Program.

The previous federal authorization, the Moving Ahead for Progress in the 21st Century Act (MAP-21) for highway and transit programs was set to expire on September 30, 2014. Before the expiration, Congress provided a short term fix in July 2014 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 customer users' fees and \$1.0 billion from excess funding in the Leaking Underground Storage Tank Fund. This transfer into the fund continued to fund all state apportionments at the enacted level through May 31, 2015, which is two-thirds of the federal fiscal year. Congress then extended the deadline for two additional months.

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 (Commuter Rail) 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 established priorities for planning, design, and project implementation.

In October 2015, the Department proposed its 10-year plan for federal FY 2016 through FY 2025, which has since been adopted. Federal law requires that a statewide transportation improvement plan covers a period of no less than four years. The prior plan expired on September 30, 2016. The Department noted that two states have moved to establish 10-year plans: New Jersey and North Carolina.

The following table illustrates the proportion of funding allotted to each program area in the FY 2018 budget. It excludes salary and benefit costs.

Program Area	FY 2018 Recommended	Share of Total
Administrative Program	\$ 5,711,538	3.3%
Bike/Pedestrian Program	5,224,737	3.0%
Bridge Program	24,046,773	13.8%
CMAQ Program	5,206,008	3.0%
Highway Program	14,705,564	8.5%
Interstate Program	9,556,331	5.5%
GARVEE Projects	26,220,387	15.1%
Federal Highway Earmark Projects	17,384,849	10.0%
Pavement Management Program	16,327,443	9.4%
Traffic Safety Program	18,464,733	10.6%
Transit	26,077,273	15.0%
Other Programs	4,922,850	2.8%
Total	\$ 173,848,486	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. The Department's FY 2018 request includes \$51.6 million from these funds, which is \$8.4 million less than enacted, including \$1.3 million less for debt service from refinancing projects that were previously financed through GARVEE bonds. It also includes \$5.9 million for transit, reflective of anticipated awards.

She recommends \$64.0 million, \$12.4 million more than requested to include debt service payment from the new debt issuance pursuant to the RhodeWorks legislation adopted by the Assembly authorizing the borrowing.

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. The voters approved \$60.0 million of general obligation bonds in both November 2002 and 2004 that matched federal highway funds and was programmed for FY 2004 through FY 2007. The voters approved \$80.0 million in November 2006, 2008 and 2010 to provide \$40.0 million each year, with funding programmed through FY 2014. As noted previously, an initiative by the 2011 Assembly replaced borrowing with pay-go sources. *The recommendation does not assume new general obligation bond borrowing for the Department.*

Unallocated Bond Proceeds. During previous debt authorizations, the actual state match from general obligation bond authorizations 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 budget recommendation, Governor Chafee 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 enhance available resources, including \$17.0 million in FY 2015 and \$8.0 million in FY 2016. It should be noted that, as with all general obligation bond proceeds, these sources are not shown in the Department’s operating budget.

Based on a report of the Intermodal Surface Transportation Fund produced by the Controller in August 2015, it appears that \$23.0 million of the general obligation bond proceeds were available; however, they were not reflected in the Department’s FY 2017 through FY 2021 capital budget. The funds were subsequently included in the FY 2018 through FY 2022 capital budget, which assumes use of \$15.0 million in FY 2016, \$5.0 million in FY 2017 and \$3.0 million in FY 2018. *The Governor recommends funding as requested.*

Land Sale Revenue. Sales of Department owned land can be used 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. The FY 2018 request includes \$1.2 million from this source, \$0.2 million more than enacted. *The Governor concurs.*

Interstate 195 Land Sales. Consistent with the enacted budget, the Department assumes receipts of \$1.5 million in FY 2018 from the sale of land made available through the relocation of Interstate 195. The Department sold the land made available from the relocation to finance a portion 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 Economic Development 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 Governor concurs.*

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 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 \$42.0 million from this source in its FY 2018 request, \$9.2 million more than enacted. This includes \$5.5 million in new expenditures for Capital Equipment Replacement and \$5.3 million for the Highway Improvement Program. The FY 2016 final budget included a total of \$43.4 million and reported expenditures were \$11.9 million, resulting in a surplus balance of \$31.5 million. The Department’s FY 2018 through FY 2022 capital budget request assumes use of the funds over the next six years, in increments of \$5.3 million. Other maintenance facility projects are \$1.5 million less than enacted.

The Governor recommends \$38.2 million, \$5.3 million more than enacted and \$3.9 million less than requested, including \$4.5 million less for Capital Equipment Replacement and the inclusion of \$0.8 million for two new projects. The recommendation for Capital Equipment Replacement is consistent with the approved plan.

Restricted Receipts. This source is comprised of funds the Department receives when it performs work for municipalities and other entities, and is used to fund personnel costs for employees who perform work on the projects. This source contributes \$3.2 million to the Department, which is \$3.0 million more than enacted, based on projected work for FY 2018. *The Governor recommends funding as requested.*

Motor Vehicle Fee Transfer. The request includes \$86.9 million of transportation related fees and surcharges collected by the Division of Motor Vehicles and transferred to the Department.

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 increased in \$10 increments to a total of \$30, the annual registration surcharge increased in \$5.00 increments to a total of \$15, and the license surcharge increased in \$10 increments to a total of \$30 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 are transferred to the Department for use as a portion of the state match for federal funds. The table below shows actual revenue derived from the surcharges through FY 2016 and the estimate for FY 2018. FY 2018 anticipated receipts are \$4.6 million less than FY 2016 reported receipts, reflecting legislation adopted by the 2016 Assembly. It established a new schedule for annual registration fees for commercial trucks, truck tractors, and truck trailers with gross vehicle weight of over 10,000 pounds that are used for commercial purposes, effective for FY 2018. Annual registration costs will be reduced on a sliding scale from a 26.0 percent reduction for vehicles at lower weights to a 50.0 percent reduction in annual registration costs for vehicles weighing 26,000 pounds or more. The estimated FY 2018 revenue impact is a reduction of \$4.2 million.

Fiscal Year	Biennial Registrations	Annual Registrations	Licenses	Total
2014	\$ 3,817,669	\$ 791,140	\$ 1,260,140	\$ 5,868,949
2015	\$ 7,611,636	\$ 1,989,693	\$ 3,098,765	\$ 12,700,094
2016	\$ 10,557,994	\$ 3,905,012	\$ 6,978,578	\$ 21,441,584
2017	\$ 11,420,781	\$ 2,981,213	\$ 4,648,148	\$ 19,050,142
2018	\$ 10,945,319	\$ 2,268,210	\$ 3,612,842	\$ 16,826,371

In addition to the surcharges, portions of other fees collected by the Division of Motor Vehicles are 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 of 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 established 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 were deposited as general revenues. The inspection fee, the good driver dismissal surcharge and car rental surcharges were transferred as of FY 2015, and the remaining revenues were transferred incrementally beginning with 25.0 percent in FY 2016 and 75.0 percent in FY 2017, with all of the funds being transferred in FY 2018.

The following table shows the source and the total including surcharges explained previously.

Source	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Inspection Sticker Increase	\$ 10,996,619	\$ 10,996,619	\$ 12,146,624	\$ 12,146,624
Title Fees	9,115,521	9,115,521	8,356,766	8,356,766
Rental Car Surcharge	3,162,262	3,162,262	3,027,321	3,027,321
Good Driving Surcharge	418,183	418,183	400,000	400,000
License and Registration Transfer	37,050,000	37,050,000	46,110,639	46,110,639
Subtotal	\$ 60,742,585	\$ 60,742,585	\$ 70,041,350	\$ 70,041,350
Surcharges	19,050,142	19,050,142	16,826,371	16,826,371
Total	\$ 79,792,727	\$ 79,792,727	\$ 86,867,721	\$ 86,867,721

The new funds were established in the Highway Maintenance Account, which is within the Intermodal Surface Transportation Fund, and account for \$86.9 million in FY 2018. This includes \$40.8 million from the fee surcharge increase and a transfer of \$46.1 million, 100 percent of the fees collected by the Division of Motor Vehicles to the Department. As part of her budget recommendation, the Governor included Article 21 of 2015-H 5900 to delay the transfer of transportation related fees collected by the Division of Motor Vehicles to the Department. The Assembly did not concur and maintained the current law transfer.

The Governor proposes legislation in Article 4 of 2017-H 5175 to transfer 0.5 percent of the receipts from the Highway Maintenance Account to the Division of Motor Vehicles. This equates to \$0.4 million and would be used to fund salary and benefit costs to collect the fees. The recommendation reduces expenditures in the Department's budget to reflect this loss. She also proposes that the Department uses funds from the Highway Maintenance Account to finance buses for the Rhode Island Public Transit Authority. The capital budget assumes use of \$2.9 million in FY 2018 and \$0.2 million in FY 2019. The Department indicates that the Transportation Improvement Plan would be amended to reflect this.

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 request includes the enacted amount of \$150,000 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 was the first year the gasoline tax increased as a result of inflation. It increased the gasoline tax by one cent, for a total of 34 cents in FY 2016 and FY 2017. The FY 2018 request also assumes a 34 cent gasoline tax for FY 2018; the inflation adjustment was not sufficient enough to increase it to the nearest cent.

The distribution of the gasoline tax is illustrated in the following table.

Entity	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
Department of Transportation	19.25	19.25	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)	34.0	34.0	34.0	34.0

The following table shows how the New England states rank.

	Tax - Cents per gallon	
<i>As of 01/01/2017</i>	<i>Gas</i>	<i>Diesel</i>
<i>Rhode Island</i>¹	<i>34.0</i>	<i>34.0</i>
Connecticut ²	39.9	41.7
Maine	30.0	31.2
Massachusetts ³	26.5	26.5
New Hampshire ⁴	23.8	23.8
Vermont	30.5	32.0
New England Average	30.8	31.6
U.S. Average	31.0	31.0

Source: American Petroleum Institute includes state surcharges

¹ Increased 1 cpg on 7/1/15; ² Increased 1 cpg on 1/1/17

³ Increased 3 cpg 7/1/13, indexed to inflation; 11/14 referendum repealed index

⁴ Increased 4.2 cpg 7/1/14

The recommendation is based on a gas tax of 34 cents. The Governor proposes legislation to allow the Rhode Island Public Transit Authority to directly receive 0.79 cent of the 1.0 cent that the Department of Human Services receives for the elderly/disabled transportation program, instead of awaiting payment from the Department.

Department of Transportation Gasoline Tax. Section 31-36-7 of the Rhode Island General Laws sets the gasoline tax at 32 cents per gallon, indexed to the Consumer Price Index every other year, rounded to the nearest cent, effective July 1, 2014. Additionally, Section 46-12.9-11 of the Rhode Island General Laws establishes a one-cent environmental protection regulatory fee, half of which is deposited in the Intermodal Surface Transportation Fund. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline tax proceeds are deposited into the Intermodal Surface Transportation Fund from which statutory transfers are made to the Department, the Rhode Island Public Transit Authority, the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services for the elderly/disabled transportation program.

The following table shows the recent history of available gasoline tax proceeds and other non-federal funds included in the FY 2018 budget.

Non Federal Sources	FY 2017 Enacted	FY 2017 Revised	FY 2018 Request	FY 2018 Recommended
<i>Gas Tax Yield per Cent</i>	<i>4.333</i>	<i>4.550</i>	<i>4.455</i>	<i>4.545</i>
<i>RIDOT Cents</i>	<i>19.25</i>	<i>19.25</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	\$ -	\$ 40,471,942	\$ -	\$ 638,039
Gas Tax	140,815,740	147,869,670	144,773,070	147,728,100
Motor Vehicles Fees, Surcharges & Transfer	79,792,727	79,792,727	86,867,721	86,867,721
Surplus Property & Outdoor Advertising	150,000	150,000	150,000	150,000
Restricted Receipts	180,219	2,882,249	3,168,129	3,168,129
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Land Sales	1,000,000	1,000,000	1,000,000	1,000,000
Rhode Island Capital Plan Funds	32,843,444	39,522,975	42,046,602	38,150,208
Total Revenues	\$ 256,282,130	\$ 313,189,563	\$ 279,505,522	\$ 279,202,197
Transportation Expenses				
General Maintenance	\$ 39,667,347	\$ 71,820,399	\$ 49,121,541	\$ 47,196,202
Winter Maintenance	21,282,741	21,067,441	19,582,741	19,582,741
Vehicle Maintenance	7,186,049	15,511,289	8,151,891	12,659,908
Other Operations	29,148,934	34,935,422	36,583,195	37,465,258
GARVEE Bond Debt Service	8,665,584	9,099,672	8,665,584	9,090,960
G.O. Debt Service*	45,942,881	45,942,881	39,356,516	39,356,516
State Match - Gas Tax	3,024,417	380,020	392,740	392,740
State Match - RICAP	27,200,000	32,451,346	32,451,346	32,451,346
Internal Service Funds Transparency*	4,291,384	3,694,538	4,291,384	3,846,161
Restricted Receipts	180,219	3,610,153	3,168,128	3,168,128
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Land Sales	1,000,000	1,041,771	1,173,125	1,173,125
Surplus Property & Outdoor Advertising	150,000	150,000	150,000	150,000
Equipment Replacement	1,500,000	1,500,000	7,000,000	2,500,000
Facilities	4,143,444	5,571,629	2,595,256	3,198,862
RIPTA - Gas Tax	42,244,722	44,360,901	45,037,045	44,318,430
RIPTA - Highway Account - 5%	3,989,636	3,989,636	4,343,386	4,343,386
Turnpike and Bridge Authority	15,164,772	15,924,426	15,964,772	15,909,180
Division of Motor Vehicles**	-	-	-	434,339
Total Expenditures	\$ 256,282,130	\$ 312,551,524	\$ 279,528,650	\$ 278,737,282
Surplus/Deficit	\$ -	\$ 638,039	\$ (23,128)	\$ 464,915

*Shown in the Department of Administration's budget

**The intent is to show this expense in the Department of Revenue's budget

The Department's request assumes a per penny yield of \$4.455 million, which is \$121,764 more than enacted and is \$4,269 less per penny than the FY 2017 revised request.

The recommendation utilizes a gas tax yield of \$4.545 million, which is \$212,688 more than enacted and \$90,924 more than the request based on estimate from the Office of Revenue Analysis.

New Positions (74.0 FTE). The Department's request includes \$9.3 million from federal funds and gas tax proceeds to fund 74.0 new full-time equivalent positions. The annualized value of the positions is \$10.1 million. The FY 2017 revised request assumes filling 40.0 of the positions in the last quarter of the fiscal year; the request includes \$7.0 million to fully fund those positions and adds \$2.2 million to fund the remaining 34.0 positions, which the Department anticipates will start in October 2017. Of the requested positions, 28.0 are project managers. The Department indicates project managers will be responsible for the oversight and delivery of assigned projects from initiation to closeout. The request includes 14.0 maintenance bridge workers and 6.0 are highway maintenance operators, reflective of the Department's

plan to perform more operations in-house, including lane striping and bridge inspections. Other positions include administrators of new programs, reflective of the Department's reorganization.

The following table lists the positions by program.

	FY 2017 Gov. Rev.		FY 2018 Gov. Rec.	
Central Management				
State Traffic Safety Engineer	1.0	\$ 238,109	1.0	\$ 246,499
Communications Director	1.0	181,561	1.0	188,234
Legislative Director	1.0	155,052	1.0	159,561
Policy Director	1.0	167,709	1.0	173,897
Administrative Assistant Officer	1.0	102,693	3.0	281,276
Management and Budget				
Principal Accountant		\$ -	1.0	\$ 97,175
Engineering				
Project Manager	28.0	\$ 4,347,287	28.0	\$ 4,540,501
Administrator of Transit, New Starts	1.0	234,364	1.0	241,166
Administrator of Stormwater Management	1.0	228,872	1.0	237,424
Manager, Construction Management	1.0	181,164	1.0	188,165
Manager, In-House Design	1.0	194,970	1.0	202,255
Chief Engineer for Infrastructure	1.0	252,225	1.0	271,312
Administrator, Division of Planning	1.0	202,886	1.0	220,401
Principal Civil Engineer			1.0	125,259
Planner			1.0	91,620
Civil Engineer Associate			1.0	94,950
Engineering Technician I			1.0	81,075
Supervising Environmental Scientist			1.0	129,241
Chief Civil Engineer			1.0	145,807
Maintenance				
State Highway Maintenance Operations Engineer	1.0	\$ 235,815	1.0	\$ 253,590
Electrical Inspectors			2.0	223,272
Road Maintenance Supervisors			3.0	284,915
Highway Maintenance Operators			6.0	491,324
Bridge Maintenance Workers			14.0	1,113,559
Total Value	40.0	\$ 6,722,707	74.0	\$10,082,477
Turnover Savings		\$ (5,042,030)		\$ (763,098)
Request	40.0	\$ 1,680,677	74.0	\$ 9,319,379

The Governor recommends funding and staffing authorization as requested.

Other Salaries and Benefits. The Department requests \$78.4 million from all sources of funds to support the authorized level of 701.0 full-time equivalent positions. This is \$2.1 million less than enacted, to primarily reflect additional turnover savings. Through November 2016, average filled positions were 634.8, or 66.2 positions below the authorized level. The request includes \$0.1 million less for overtime and \$0.3 million less for interns; the Department usually recruits interns interested in the field of engineering and transportation. It includes \$0.5 million for updated medical benefits. It also includes step increases for numerous positions.

The request appears to be understated as the Department miscalculated certain benefits, including retirement. *The Governor recommends \$1.0 million more than requested, including \$0.9 million to properly reflect costs. She also includes \$0.1 million to partially fund a position in the Office of the*

Governor.

Highway Improvement Projects. The Department requests \$186.1 million from federal funds matched by \$45.3 million from motor vehicle surcharges and Rhode Island Capital Plan funds for highway projects in FY 2018. This is \$5.3 million more than enacted reflective of carry forward funds from FY 2016 for which the final budget included \$43.4 million and reported expenditures were \$11.9 million, resulting in a surplus balance of \$31.5 million. The Department's FY 2018 through FY 2022 capital budget request assumes use of the funds over the next six years, in increments of \$5.3 million.

Program Area	FY 2018 Recommended	Share of Total
Administrative Program	\$ 5,711,538	3.3%
Bike/Pedestrian Program	5,224,737	3.0%
Bridge Program	24,046,773	13.8%
CMAQ Program	5,206,008	3.0%
Highway Program	14,705,564	8.5%
Interstate Program	9,556,331	5.5%
GARVEE Projects	26,220,387	15.1%
Federal Highway Earmark Projects	17,384,849	10.0%
Pavement Management Program	16,327,443	9.4%
Traffic Safety Program	18,464,733	10.6%
Transit	26,077,273	15.0%
Other Programs	4,922,850	2.8%
Total	\$ 173,848,486	100%

The Governor recommends \$12.3 million less than requested in order to pay increased debt service costs from the new debt issuance pursuant to the RhodeWorks legislation adopted by the Assembly authorizing the borrowing.

GARVEE Debt Service. The request includes \$1.4 million in additional savings, reflective of the interest rate that the Department obtained from refinancing projects that were previously financed through GARVEE bonds. The 2016 Assembly adopted legislation to allow the Department to refinance the debt; \$244.9 million was outstanding. The Department completed the refinancing in June 2016. In total, an additional \$11.3 million of long term debt will be incurred to save the projected \$129 million during the next three fiscal years.

The request also includes the enacted amount of \$8.7 million from the dedicated two cents for debt service for Motor Fuel Tax Revenue bonds. Though the Department's request assumes a higher per penny yield from the gasoline tax, no adjustment was made to reflect this, understating the request by \$0.2 million.

The Governor recommends \$12.7 million more than requested, including \$12.3 million based on an updated debt service payment and \$0.4 million to reflect the adjustment to the gas tax yield.

Immediate Action Projects. The Department requests \$6.7 million from highway maintenance funds for projects that require immediate action. This is \$0.4 million or 6.0 percent more than FY 2017. The Department indicates that several of these are considered emergency projects and must be done for safety reasons. The approved 10-year transportation plan assumes \$58.0 million in total funding for these projects, which are generally identified after inspections are conducted.

The Governor recommends \$6.3 million, consistent with the revised recommendation. This is \$0.4 million less than requested, reflective of anticipated revenues. This expenditure was reduced to free up resources to fund personnel costs in the Division of Motor Vehicles.

Winter Maintenance Operations. Excluding salaries and benefits, the Department requests \$18.2 million from gasoline tax proceeds for operating expenses related to the winter maintenance program for FY 2018. Funding is used to pay for vendor contracts, as well as to purchase salt, sand and liquid deicers. The request is \$1.7 million or 9.0 percent less than enacted and the revised request. The average annual cost for winter maintenance operations from FY 2012 through FY 2016 is \$14.5 million. The current request is \$2.7 million above that. *The Governor recommends funding as requested.*

Vehicle and Equipment Purchases. The Department requests \$9.3 million or \$5.8 million more than enacted, including \$0.3 million more from gasoline tax proceeds and \$5.5 million more from Rhode Island Capital Plan funds, consistent with the capital budget request to purchase heavy trucks, sweepers, loaders, backhoes and tractors to replace the Maintenance Division's existing fleet, especially those used for winter operations. Presently, more than two-thirds of the Department's fleet is over ten years old and it indicates that the fleet is aging faster than it is being replaced; however, of the requested funds, 24.0 percent will be used to replace the Department's current fleet and 76.0 percent will go toward increasing the fleet.

The Governor recommends total funding essentially as requested. She provides \$1.0 million from Rhode Island Capital Plan funds, consistent with the approved capital plan and includes \$4.8 million from gas tax proceeds in lieu of Rhode Island Capital Plan funds.

Vehicle and Equipment Rental. The Department requests \$1.5 million from gasoline tax proceeds or \$1.2 million more than enacted to rent specialty equipment for the Maintenance Division, which is responsible for maintaining and repairing state roadways. Though the FY 2017 revised request includes \$17.0 million in new funding to purchase equipment, the Department indicates that the lead time to acquire the equipment ranges from two to nine months and that a short-term rental for certain equipment is needed. The FY 2017 revised request also includes \$2.0 million for short-term rentals. Reported expenditures were \$0.7 million in FY 2016 and \$0.5 million in FY 2015. *The Governor recommends funding as requested.*

Current Fleet Operations. Consistent with the revised request, the Department requests \$4.8 million from gasoline tax proceeds, \$0.8 million more than enacted for operating costs of its current fleet. This includes an additional \$0.6 million in payment to the State Fleet Revolving Loan Fund for vehicles purchased between FY 2013 and FY 2016. It also includes \$0.2 million more for fuel, insurance and routine maintenance. The current request is \$0.4 million more than FY 2016 reported expenses. *The Governor recommends funding as requested.*

Highway Lighting. Consistent with the FY 2017 revised request, the Department requests FY 2018 expenditures of \$5.4 million, \$1.2 million or 29.8 percent more than enacted for electricity costs associated with lighting masts and traffic signals along state owned highways and roads. The Department is in the process of converting existing lighting to LEDs in several phases. Based on the financial agreement with National Grid, the Department should incur savings 24 months from the implementation date; the pilot program was fully implemented in the spring of 2015 and subsequent phases have been completed. The request does not assume any savings from the lighting conversion.

Subsequently, the Department indicates that it overestimated the expenditures. Reported expenditures for FY 2016 were \$4.0 million or \$0.3 million below the final appropriation. FY 2015 expenditures were \$4.2 million, or \$0.2 million below FY 2016. *The Governor recommends \$1.5 million less than requested, consistent with the revised budget.*

Other Maintenance Operations. The Department requests \$0.2 million more than enacted from gas tax proceeds for all other operations for the Maintenance Division. This is offset by the removal of \$125,000 to replace lighting structures along state roadways, as the highway lighting conversion project is expected to be completed. *The Governor recommends funding as requested.*

Public Transit Authority. Currently, the Rhode Island Public Transit Authority receives 9.75 cents of the 34 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 Authority will also receive its share of funding from the Highway Maintenance Account. The share is based on 5.0 percent of all fines and fees collected into the account. This is projected to provide \$4.3 million to the Authority for operating expenditures.

The Authority is estimated to receive a total of \$47.8 million for FY 2018, \$1.5 million more than enacted reflecting \$0.3 million in greater share of the fees collected by the Division of Motor Vehicles and \$1.2 million more from gasoline tax proceeds.

The FY 2017 enacted budget was based on a per penny yield of \$4.333 million; the Department utilized a per penny yield of \$4.455 million for FY 2018, which is \$121,764 more per penny. The request includes \$45.0 million in gasoline tax transfer to the Authority. This is overstated by \$1.6 million based on the per penny yield utilized.

The recommendation utilizes a gas tax yield estimate of \$4.545 million, which is \$212,688 more than enacted and is \$90,924 more than the request had assumed. The Governor recommends \$48.7 million to the Authority, which is \$2.4 million more than enacted.

Turnpike and Bridge Authority. The request includes \$16.0 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. This is \$0.8 million more than enacted and is overstated by \$0.4 million based on the per penny yield utilized.

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 \$744,408 more than enacted to reflect an upward revision to the gasoline tax yield. She also proposes legislation requiring the transfer of \$2.6 million from the Rhode Island Turnpike and Bridge Authority to general revenues by June 30, 2018.

Third Party Projects Reimbursement. The Department requests \$3.2 million or \$3.0 million more than enacted from receipts it receives when it performs work for municipalities and other entities such as water authorities and the Airport Corporation. The enacted budget included \$0.2 million to fund personnel costs for employees who perform work on the projects. The increase is based on projected work and reflects historical spending. The FY 2017 revised request anticipates expenditures of \$3.6 million. Expenditures were \$2.9 million in FY 2016 and \$2.4 million in FY 2015. *The Governor recommends funding as requested.*

Congestion Mitigation Grant Adjustment. Consistent with the revised request, the Department includes \$10.2 million or \$3.9 million more than enacted from federal funds for the congestion mitigation air quality grant, reflective of additional funds that the Department will receive to support transit operations, such as parking garages and train stations. Funds will also be used for programs to help meet the requirements of the federal Clean Air Act and to assist the state in improving air quality through congestion relief and lowering emissions. *The Governor recommends funding as requested.*

Capital - Commuter Rail Project. The Department requests \$12.8 million from federal transit funds for the Commuter Rail project, which will extend commuter rail service along Amtrak's northeast corridor south of Providence. This is \$2.0 million less than enacted. Expenditures include construction of stations, tracks and signals; right-of-way acquisition; and the purchase of locomotives, rail coaches, or other equipment to accommodate rail passenger service.

Of the reduction, \$0.5 million is to reflect a shift of funding for the administration of the Rideshare Program to the Rhode Island Public Transit Authority; however, the Department will continue to oversee the program. The Department indicates that the Authority will now apply and receive this funding directly from the Federal Transit Authority. The remaining \$1.5 million reduction relates to a grant that the Department had applied for but did not receive for the Pawtucket/Central Falls Train Station. *The Governor recommends funding as requested.*

Capital - Other Capital Projects. The Department requests \$2.6 million from Rhode Island Capital Plan funds for all other capital projects. This is \$1.5 million less than enacted, reflecting expenditures for the Portsmouth Facility, which is slated to be completed in FY 2018. It also includes \$150,000 less for maintenance facility improvements.

The Governor recommends \$3.2 million for all other projects, \$0.6 million more than requested, primarily for two new projects: Pawtucket Bus Hub and the Providence Transit Corridor. A detailed analysis of the projects is included in the Capital Budget section of this publication.

All Other Expenses. The Department requests \$3.7 million from all sources of funds for all other operating expenses. This is \$35,675 less than enacted, including \$9,325 more from other funds, reflective of anticipated receipts from the gasoline tax and sale of department-owned lands. It also includes a reduction of \$45,000 from federal funds based on anticipated awards from the National Highway Transportation Safety Administration. *The Governor concurs and includes an additional \$20,880 for the Capitol Police officer assigned to the Department's headquarters building for which the enacted budget includes \$76,000.*

