
Section III

Agency Analyses

Department of Administration

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 3,048,657	\$ 2,844,491	\$ 2,869,675	\$ 2,735,330
Accounts & Control	4,355,796	5,063,573	5,498,791	5,570,382
Office of Management & Budget	10,901,845	9,819,153	10,562,029	10,534,560
Purchasing	3,404,368	3,396,666	3,825,370	3,892,555
Human Resources	11,274,547	1,149,427	1,274,257	1,274,257
Personnel Appeal Board	145,130	147,365	149,477	149,477
General	56,190,757	62,379,988	53,899,600	45,444,600
Debt Service	181,332,001	179,980,846	183,755,693	182,679,939
Legal Services	2,170,956	1,975,498	2,376,888	2,424,062
Information Technology	42,278,719	11,428,418	11,901,569	11,901,569
Library Programs	2,642,845	2,615,044	2,652,768	2,661,294
Planning	5,502,111	5,374,998	5,255,826	5,839,360
Energy Resources	12,133,823	10,554,566	8,704,012	8,704,012
Construction Permitting, Approvals & Licensing*	2,978,845	3,651,781	-	-
Statewide Savings	(30,080,124)	-	(13,700,000)	(20,084,559)
Health Benefits Exchange	9,568,822	12,924,000	8,256,143	8,921,345
Diversity, Equity & Opportunity	1,368,873	1,175,421	1,366,892	1,393,580
Capital Asset Mgmt. & Maintenance	40,008,113	9,754,165	9,804,474	10,621,701
Total	\$ 359,226,084	\$ 324,235,400	\$ 298,453,464	\$ 284,663,464
Expenditures by Category				
Salaries and Benefits	\$ 58,787,183	\$ 31,113,118	\$ 30,181,212	\$ 32,133,978
Contracted Services	13,193,067	13,200,386	7,928,063	8,423,767
Subtotal	\$ 71,980,250	\$ 44,313,504	\$ 38,109,275	\$ 40,557,745
Other State Operations	30,404,098	28,066,995	14,074,994	7,663,078
Aid to Local Units of Government	11,523,700	11,523,700	11,538,543	11,538,543
Assistance, Grants, and Benefits	12,867,967	2,971,793	3,088,905	2,823,105
Capital	51,218,068	57,478,562	47,986,054	39,501,054
Capital Debt Service	181,232,001	179,880,846	183,655,693	182,579,939
Operating Transfers	-	-	-	-
Total	\$ 359,226,084	\$ 324,235,400	\$ 298,453,464	\$ 284,663,464
Sources of Funds				
General Revenue	\$ 216,198,914	\$ 192,863,132	\$ 183,043,234	\$ 177,080,380
Federal Aid	13,162,089	8,352,115	3,884,603	3,877,255
Restricted Receipts	33,225,906	28,692,578	25,932,489	26,597,691
Other	96,639,175	94,327,575	85,593,138	77,108,138
Total	\$ 359,226,084	\$ 324,235,400	\$ 298,453,464	\$ 284,663,464
FTE Authorization	696.7	697.7	667.7	655.7

*FY 2019 budget reflects the transfer of the program to the Department of Business Regulation

Summary. The Department of Administration requested FY 2019 expenditures of \$420.5 million from all sources, including \$255.8 million from general revenues. The request is \$61.2 million more than enacted, including a decrease of \$2.7 million from restricted receipts, offset by increases of \$39.6 million from general revenues to reflect the restoration of budgeted savings, \$0.5 million from federal funds and \$23.9 million from other sources.

The Department requested the authorized level of 696.7 full-time equivalent positions. However, it includes authorization and funding for several new positions, which are offset by the elimination of unidentified positions.

The Governor recommended expenditures of \$298.5 million from all sources, including \$183.0 million from general revenues. This is \$60.8 million less than enacted. Adjusted for the transfer of costs for centralized services transferred to state agencies, the recommendation is \$7.1 million more than enacted and is \$54.1 million less than requested.

The Governor proposed legislation to transfer the Contractors' Registration and Licensing Board, State Building Code Commission, and the Fire Code Board of Appeal and Review to the Department of Business Regulation. She also proposed to transfer the Water Resources Board to the Public Utilities Commission. The budget reflects the transfer of 26.0 positions for the aforementioned programs. She recommended staffing of 667.7 full-time equivalent positions, 29.0 positions less than enacted and requested to reflect the transfers to the Public Utilities Commission and the Department of Business Regulation. As of the pay period ending February 3, the Department had 33.4 positions vacant.

The Governor subsequently requested several amendments assuming additional debt savings, revising capital projects to reflect further delays or savings, and delaying savings from the workers' compensation and fraud and waste initiatives from FY 2018 to FY 2019.

The Assembly provided expenditures of \$284.7 million from all sources, including \$177.1 million from general revenues. It concurred with most of the requested amendments and provided funding for statewide cost-of-living adjustments, assumed savings available from the voluntary retirement incentive program and retained the Water Resources Board in the Department of Administration.

It authorized staffing of 655.7 full-time equivalent positions, 12.0 fewer than recommended. The Assembly did not concur with the recommendation to add 2.0 new positions in the Office of Regulatory Reform, it retained staffing of 3.0 positions for the Water Resources Board in the Department and eliminated 13.0 current vacancies.

Target Issues. The Budget Office provided the Department with a general revenue target of \$248.9 million. The amount includes current service adjustments of \$39.8 million, including \$14.5 million for debt service, \$25.0 million for the restoration of budgeted savings, and a 10.0 percent target reduction totaling \$7.1 million, adjusted for certain exclusions. The request is \$0.2 million less than the current service estimate.

FY 2019 Budget	Budget Office	Department of Administration	Difference
FY 2018 Enacted	\$ 216,198,914	\$ 216,198,914	\$ -
Current Service Adjustments	39,805,727	40,050,727	245,000
New Initiatives	-	(447,236)	(447,236)
Change to FY 2018 Enacted	\$ 39,805,727	\$ 39,603,491	\$ (202,236)
FY 2019 Current Service/ Unconstrained Request	\$ 256,004,641	\$ 255,802,405	\$ (202,236)
Target Reduction/Initiatives	(7,119,830)	(6,647,124)	472,706
FY 2019 Constrained Target/Request	\$ 248,884,811	\$ 249,155,281	\$ 270,470
Change to FY 2018 Enacted	\$ 32,685,897	\$ 32,956,367	\$ 270,470

The constrained request is \$0.3 million more than the target level and includes revenue enhancements of \$4.1 million. The constrained budget also proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.6 million from various divisions throughout the Department. It appears that all of the positions are currently filled, none of the employees have statutory status and nine are in unions. The proposals to achieve the reductions are noted among the items described below where appropriate. *Adjusted for the transfer of costs for centralized services transferred to state agencies, the recommendation is \$17.3 million less than the target.* **Adjusted for the transfer of costs for centralized services, the enacted budget is \$23.3 million below the target.**

Statewide Cost-of-Living Adjustment. The Governor recently reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$0.6 million from general revenues for FY 2019.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. The request assumes a general revenue savings of \$0.5 million from the establishment of internal service funds.

The recommendation reflects the establishment of internal service funds. A total of \$82.3 million, including \$61.8 million from general revenues were converted from direct appropriation to internal funds. The recommendation includes \$13.7 million from all sources, including \$13.2 million for the Department's share of centralized services. This includes \$8.5 million from general revenues for facilities management, \$1.2 million from all sources, all but \$32,918 is from general revenues for human resources support, and \$4.0 million from all sources, of which \$3.7 million is from general revenues for information technology services. **The Assembly concurred**

Statewide Savings

Distributed Savings. The enacted budget assumes \$25.0 million in unidentified statewide general revenue savings, which equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. The savings are included in the Department of Administration for later distribution.

The request restores \$24.1 million of the savings. A comprehensive list of how the savings will be achieved has not been provided; however, some of it will be achieved from a retirement incentive, utilities and shifting certain costs to restricted and other sources.

The Governor's budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Administration, the budget identifies \$3.5 million as a measure to reach the undistributed savings goal. However, it appears that only \$1.9 million of savings is also assumed in FY 2019. The savings are included in the items described in the following analysis where appropriate. **The Assembly assumed additional savings of \$0.1 million, including \$68,201 from general revenues based on longevity savings available from the voluntary retirement incentive program.**

Unachieved Savings – Telephone Conversion. The enacted budget assumes \$0.3 million from general revenue savings from a proposal to convert leased telephone lines to state-owned lines. The Department indicated that it is no longer pursuing this initiative because of compatibility issues with the current telephone system. Consistent with its revised request, the Department restored the savings. *The Governor concurred. The Assembly concurred.*

Workers’ Compensation Privatization. The request includes the enacted amount of \$1.3 million from general revenue savings from an initiative to privatize the administration of the Workers’ Compensation program, which 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. The Department indicated that due to delays, the savings are unlikely to be achieved in the current year; however, the Administration is working on a revised plan, which will be included in the Governor’s budget recommendation. *The Governor concurred. It should be noted that the revised budget restores \$1.0 million of the savings; it is unclear how the remaining \$0.3 million will be achieved in FY 2018. The Governor subsequently requested an amendment to delay the remaining \$0.3 million of savings to FY 2019. The Assembly concurred.*

Fraud and Waste Detection. The request assumes the enacted amount of \$3.5 million in expenditure credits from fraud and waste detection efforts that will combine data across agencies including Department of the Labor and Training, Department of Revenue and health and human services agencies to detect fraud and waste. It is unlikely that the same level of savings will occur annually.

The FY 2018 enacted budget also assumes \$5.0 million in revenue from this initiative. The Department has identified a total of \$9.5 million in revenues and savings, including \$8.0 million from Medicaid recoveries; \$1.3 million for the state’s share from cost avoidance of electronic benefits transfer cards loaded for incarcerated individuals; and \$0.2 million from 3,000 vendors that are active but are not renewing their registration with the Secretary of State.

The Governor concurred. She also recommended reducing funding for the data tools and software associated with this initiative by \$1.4 million from the enacted amount of \$1.9 million; \$550,000 is recommended for maintenance and operating costs.

She subsequently requested an amendment to distribute and delay a portion of the \$8.5 million savings. It assumes \$2.4 million of the savings will be achieved from death file matching and reflected in the Executive Office of Health and Human Services and that \$3.0 million was deemed to be achieved through cost avoidance as part of the Medicaid caseload projections and delays \$3.2 million of the savings to FY 2019.

The Assembly concurred, with the exception of restoring \$3.0 million of the savings deemed to be achieved through cost avoidance; it shifted these savings to FY 2019. The enacted budget includes a total of \$9.6 million from this initiative.

Expand Prompt Payment. Rhode Island General Law, Section 42-11.1-1 requires all bills to be paid within 30 working days of receipt of an invoice or other contractual dates for periodic payments. In 2016, the Department established a prompt payment discount pilot program, whereby master price agreement vendors voluntarily offer the state a discount if they receive their payments within the agreed upon date. The Department indicated that the savings from the pilot program were \$0.2 million in FY 2017. The constrained budget proposes to extend the prompt payment program to all vendors and assumes \$350,000 in expenditure credits. Currently, it is not a deciding factor in selecting a vendor if a prompt payment discount is not offered. However, the Department indicated that it is in the process of working with the Office of Legal Services to amend this to make it one of the deciding factors.

The Department is unable to explain how the savings was calculated. *As of February 15, the administration has still not been able to provide any explanation. The Governor concurred. **The Assembly included the savings.***

RI Capital Plan Fund Fee Assessment. The constrained budget proposes to impose an assessment against the Rhode Island Capital Plan funds to generate \$3.0 million to fund project managers in the Division of Capital Asset Management and Maintenance and certain positions for Purchasing. The assessment would be based on the amount needed to fund project manager positions and for FY 2019, the assessment would be 3.2 percent. The assessment would be against all projects, except those of higher education. The Department noted that this funding mechanism would enable the state to guarantee these resources for support staff dedicated to capital projects. The 2006 Assembly submitted a constitutional amendment to limit the use of the fund to capital projects beginning in FY 2008, which the voters approved.

The Governor concurred and included legislation in Article 2 of 2018-H 7200 authorizing the state budget officer to impose an indirect cost of up to 10.0 percent against project expenditures funded from Rhode Island Capital Plan funds. The funds would be used to support direct project management costs. The Budget assumes general revenue savings of \$3.7 million from this. It appears that the savings are overstated; half might be achievable.

The Assembly did not concur with this initiative. It restored \$0.7 million of general revenue funding for project managers in the Division of Asset Management and Maintenance. The enacted budget assumes that that Department will achieve the remaining savings through other efficiencies.

Contract Savings. The Department is authorized to purchase or to contract for the supplies, materials, articles, equipment, printing, and services needed by state agencies. This is mainly accomplished through the Division of Purchases, which is authorized to prescribe standard specifications for those purchases and contracts, enforce compliance with specifications, and supervise advertising for bids and awards for state purchases.

*The Governor proposed that the Department conduct an analysis of previous contracts to identify opportunities that would enhance the state's buying power and reduce costs associated with procured goods and services. The analysis will also review pricing opportunities, request for proposal management and contract negotiations. The Budget assumes a savings of \$3.0 million from general revenues from this initiative. **The Assembly concurred.***

Insurance Savings. The Department of Administration procures insurance policies for state agencies. It obtains coverage for vehicles, properties and liability through the Rhode Island Independent Insurance Agents. Generally, the Administration goes out to bid every two to three years for these policies. The premiums, based on the number of properties and vehicles are paid by all agencies.

For workers' compensation claims, the state maintains the Assessed Fringe Benefits Fund to pay for work-related injuries. The Fund is supported by an assessment on salaries and wages paid from all accounts and fund sources. The state is self-insured; therefore, it only makes a payment when a state employee is hurt and medical claims are paid as they are received.

*The Governor proposed an initiative that would result in savings from claims administration improvements within Workers' Compensation and reducing over-insurance for property, liability, and casualty. The Budget assumes a savings of \$1.0 million from general revenues. This is in addition to the \$1.3 million in savings already assessed to be achieved through privatizing the administration of Workers' Compensation noted earlier. **The Assembly concurred.***

Local Aid

Library Aid. The Department requested the enacted amount of \$9.4 million to level fund state support of public libraries. The request is \$1.0 million or 10.8 percent less than allowed under current law. It funds library aid at 22.3 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 2016 Assembly provided an additional \$0.9 million to increase library aid support to municipalities to 23.7 percent.

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 recommended funding as requested. The Assembly concurred.*

Library Construction Aid. The Department requested the enacted amount of \$2.2 million for library construction aid. This is \$14,843 less than the current service estimate provided by the Budget Office to reflect funding requirements for FY 2019 based on updated cost information, interest rates, and construction schedules for approved projects. The state reimburses libraries up to half the total cost 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 that ended July 1, 2014. As of December 2017, the Office has not received any applications. The Office indicated that it does have a letter of intent from the Providence Public Libraries for a substantial project that will impact funding in FY 2021 or FY 2022. The Office anticipated receiving a letter of intent from the Town of Narragansett. *The Governor recommended \$14,843 more than enacted to fully fund library construction aid. The Assembly concurred.*

Office of Energy Resources

Regional Greenhouse Gas Initiative. The Department requested expenditures of \$7.0 million from the Regional Greenhouse Gas Initiative restricted receipts fund, which are derived from the sale of carbon emission credits through an auction process. This is \$3.2 million less than enacted, based on anticipated receipts. Actual receipts were \$10.3 million in FY 2015, \$11.7 million in FY 2016, \$5.1 million in FY 2017, and are estimated at \$4.3 million in FY 2018. The request includes \$0.6 million for salary and benefit costs of 4.4 full-time equivalent positions. It includes \$6.4 million for energy conservation projects and \$30,450 for program expenses, such as travel, computer supplies and printing. *The Governor recommended \$27,076 less than requested to primarily reflect staffing cost allocations. The Assembly concurred.*

Other Expenses. The request includes \$1.7 million from all sources of funds, or \$0.3 million less than enacted, including \$0.2 million less from federal funds based on anticipated awards and \$0.1 million less from restricted receipts for all other expenditures for the Office. The request includes the enacted amount of \$1.0 million to support the remaining 7.6 authorized positions. It does not include any turnover savings; as of the last pay period in November 2017, the Office has no vacancies. It assumes \$0.3 million less than enacted for various weatherization grants, and expenditures for the Energy Efficiency and Resources Management Council. *The Governor recommended \$39,945 less than requested to primarily reflect staffing cost allocations. The Assembly concurred.*

HealthSource RI

Health Reform Assessment. 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. For FY 2019, HealthSource RI is projecting enrollments of 29,850 in the individual/family group and 5,912 in the small business group. Enrollments as of November 2017 were: 28,529 in the individual/family group, and 5,187 in the small business group.

The FY 2019 request assumes receipts of \$6.4 million from this source based on enrollment. This is \$0.4 million less than enacted and consistent with FY 2018 revised. Originally, HealthSource RI had projected annual receipts at \$8.6 million, which had assumed a change in the federal definition of a small employer as an employer having up to 100 employees. *The Governor concurred. The Assembly concurred.*

Staffing and Operating. The Department included \$9.2 million from all sources including the enacted amount of \$2.6 million from general revenues for HealthSource RI. This is \$0.4 million less than enacted, nearly all of which is from the health reform assessment receipts, reflective of projected enrollments through the exchange. The request includes \$1.9 million or \$0.3 million less for salary and benefit costs for the authorized level of 16.0 full-time equivalent positions. As of the last pay period in November 2017, three positions were vacant.

Operating costs are \$7.2 million or \$0.1 million less than enacted. The request includes the enacted amount of \$2.5 million for the contact center; \$3.3 million for enrollment, outreach and data analytics; and \$0.4 million for marketing. Consistent with the revised request, the request includes \$130,000 for rent. HealthSource RI is in the process of moving from state-owned space to East Providence. It currently occupies one of the four cottages that were renovated on the Pastore Center. It indicated that the space is not sufficient to accommodate all staff. Remaining costs of \$0.6 million are for auditing, financial and information technology support services.

The constrained request includes general revenue savings of \$262,000 from contracted services. The Department indicated that the current contract for data services will expire in the fall of 2018 and that in the spring of 2018, the Office should conduct a needs assessment of its information technology system capabilities, with the goal of reducing costs to achieve the savings. The Office indicated that with the exhausting of federal funds and a reduction from the health reform assessment receipts, the savings assumed may not be feasible.

The Governor concurred with the constrained request. Expenditures from the health reform assessment were reduced by \$0.7 million, which the Administration indicated was in error. She subsequently requested an amendment to correct this. The Assembly concurred.

Debt Service

Historic Structures Tax Credit. The Department requested \$19.8 million from general revenues to fund debt service costs for debt issued to pay for historic tax credits. This is \$11.3 million less than enacted and is consistent with the current service estimate for the amount needed 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 recommended \$12.9 million or \$6.9 million less than prior projections. Slower project completions and available funds in the Trust Fund allow for a delay in new debt issuance. The Assembly concurred.*

General Obligation Bond Debt. The request includes \$116.0 million from all sources for general obligation debt service. This is \$19.7 million more than enacted and is consistent with the current service

estimate to adjust for limited savings from the restructuring of general obligation bonds that occurred in July 2015.

The Governor recommended \$113.5 million from all sources, including \$71.6 million from general revenues. This is \$2.4 million less than requested, including \$1.5 million from general revenues reflective of a delay in the issuance of new debt. She also included higher debt service costs in the Public Higher Education's budget to reflect the May 2017 issuance for a net decrease of \$0.1 million.

*The Governor subsequently requested amendment to recognize \$1.1 million in savings based on the issuance that occurred in April 2018. **The Assembly concurred.***

38 Studios. The Department requested \$1.1 million from general revenues for debt relating to 38 Studios. In February 2017, the Corporation reached another settlement. 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 Governor included no state support for debt service; the FY 2019 debt service will be paid with settlement funds. **The Assembly concurred.***

I-195 Land Acquisition Debt Service. The Department requested \$4.4 million from general revenues for debt service costs of the I-195 land acquisition project. This is \$3.7 million more than enacted, based on the estimated requirement for the FY 2019 payment presented with the Governor's FY 2018 Capital Budget. FY 2019 is the first year a principal payment is due and estimated costs of \$4.4 million do not assume any proceeds from land sales to cover the debt. The 2011 Assembly's debt authorization stipulated that proceeds from the eventual sale of the land parcels would be used for debt service costs.

The legislation assumed \$42.0 million of revenue bonds would be issued by the Economic Development Corporation to purchase land made available through the relocation of Interstate 195 by the Department of Transportation. The project requires resources from these land sales to finance the remaining work, and this interim mechanism allows for a more deliberate process led by the I-195 Redevelopment Commission on the disposition of the land to occur while the project is completed. The principal amount for the bonds was \$38.4 million, amortized over a ten-year period. *The Governor recommended \$1.9 million less than requested. This assumes a like amount being available from land sale proceeds. The I-195 Redevelopment Commission has entered into three purchase and sale agreements on some properties. **The Assembly concurred.***

Garrahy Garage. The 2014 Assembly authorized the Convention Center Authority to issue up to \$45.0 million for the construction of the garage and the 2016 Assembly amended the authorization to allow the borrowing to occur if the Authority has three purchase and sale agreements or Wexford Science and Technology agrees to lease no less than 400 parking spaces. Revenues are expected to lower the debt service in FY 2020 and beyond. Funding for debt payment was not included in the Department's request.

*The Governor recommended \$2.5 million from general revenues to cover the first-year debt service relating to the Garrahy Garage project. She subsequently requested an amendment to include \$0.9 million less based on the issuance that occurred in January 2018. **The Assembly concurred.***

Convention Center Authority Debt Service. The request includes \$19.6 million from general revenues for debt service for the Convention Center Authority. This is \$7,689 less than enacted and is consistent with the current service estimate. 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 recommended \$654,522 less than requested to reflect savings from a refinancing that occurred in December 2017. She subsequently requested an amendment to allow the Authority to borrow \$4.3 million from the Rhode Island Infrastructure Bank's Energy Efficiency Fund to make energy efficiency improvements at the Convention Center and the Dunkin' Donuts Center. Annual debt service would be paid by energy and maintenance savings and would be \$0.5 million annually over 11 years.

The Assembly concurred, with the exception of providing pay-go funding of \$4.3 million from Rhode Island Capital Plan funds in FY 2019 for energy efficiency projects. It also assumed \$0.3 million of general revenue savings. Once completed, the improvements are estimated to save \$0.5 million annually from general revenues.

Hospital Reorganization. The Department of Administration requested \$17.7 million from Rhode Island Capital Plan funds to reorganize hospital operations for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. Though the request is consistent with the Department's capital budget, it does not reflect its most current plan, renovating the Department of Children, Youth and Families' Youth Assessment Center.

It appears that funding for this project is also included in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' budget. *The Governor recommended a total of \$23.8 million from Rhode Island Capital Plan funds in the Department of Administration's budget, including \$7.9 million in FY 2018, \$11.8 million in FY 2019 and \$4.1 million in FY 2020.*

She subsequently requested an amendment to shift \$11.8 million of Rhode Island Capital Plan funds from FY 2019 to FY 2020, to add \$4.0 million in FY 2021. She also requested an amendment to issue \$22.0 million through Certificates of Participation and to include \$1.1 million from general revenues for first year debt service costs. The Assembly concurred and included the authorization in Article 16 of 2018-H 7200, Substitute A, as amended. The estimated total project cost is \$49.9 million.

Other Debt. Consistent with the current service estimate, the Department requested \$35.0 million from all sources for all other debt service costs. The request includes the enacted amount of \$7.0 million for performance based debt service, of which \$3.4 million is 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. Debt issued through Certificates of Participation for technology and energy conservation related projects are \$29.7 million and \$1.3 million more than enacted. *The Governor recommended \$33.4 million from all sources, \$1.6 million less from general revenues than requested based on a refinancing of projects funded through Certificates of Participation. The Assembly concurred.*

Division of Capital Asset Management and Maintenance

Veterans' Home – Staffing and Maintenance. The Department requested new expenditures of \$0.4 million from general revenues for staffing and maintenance costs associated with the new Veterans' Home, which opened in October 2017. The request includes \$0.2 million for two maintenance technician positions. The revised request includes \$0.1 million to fund the positions, which the Department anticipated filling in February 2018. The positions will be filled within the Department's current staffing authorization. It also includes \$245,000 for snow removal and grounds and landscaping services. The enacted budget includes funding for a maintenance staff of 13.0 full-time equivalent positions. It does not include funding for snow removal, which the Department indicated was done by current staff. It further noted that based on the layout of the new facility, it does not believe that its staff can properly maintain the sidewalks and parking lot. The Department plans to obtain a vendor to perform these functions.

The constrained request excludes the \$245,000 for maintenance costs.

*The budget reflects the transfer of funding for this to the Department of Human Services as facilities management expenditures. **The Assembly concurred.***

Facilities Centralized Services. The request includes \$39.0 million from all sources, including \$31.9 million from general revenues for costs related to the management of state facilities. This is \$1.3 million more than enacted, including \$0.4 million more from general revenues. It includes \$15.5 million for utility expenses at state buildings under the jurisdiction of the Division of Capital Asset Management and Maintenance, including the Pastore Campus. This accounts for 40.0 percent of the request and is \$1.0 million less than enacted. The projection is consistent with FY 2017 reported and FY 2018 anticipated expenditures. It is \$1.0 million less than enacted, including natural gas savings of \$1.0 million. This reflects the contract that the state entered into in November 2016 for a period of three years for the procurement of natural gas. The Department indicated these savings are being counted towards the Governor's proposals to achieve \$25.0 million of statewide general revenue savings included in the enacted budget.

The request includes \$13.8 million to fund the authorized level of 121.0 full-time equivalent positions. This is \$2.3 million and appears to either restore \$1.4 million of turnover savings or assume more staff allocated to centralized services. The request also includes \$9.7 million for operating expenditures. This is \$0.3 million less than enacted, all but \$12,672 is from general revenues, reflective of FY 2017 expenditures. Operating costs of the central power plant are projected to be \$2.7 million or \$0.1 million less than enacted; the contract for the operations of the power plant has two components: the direct labor paid, which is a fixed amount, and consumables, which depend on repair costs. The request includes \$4.0 million or \$0.1 million less for building maintenance, which includes general repairs to elevators and heating, ventilation and air conditioning systems and painting. All other expenses are \$27,065 more than enacted and include adjustments for insurance, landscaping supplies and janitorial services.

The constrained budget proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.8 million from various divisions throughout the Department. This includes \$0.4 million for four positions in the Division of Capital Asset Management and Maintenance. The Department indicated that the impact of instituting the layoffs would result in additional overtime in order to maintain facilities throughout the state, which is not accounted for in the savings proposal.

*The budget reflects the transfer of funding for centralized facilities management services to state agencies. The recommendation retains a total of \$8.5 million from general revenues for the share of facilities management attributable to the Department itself. The recommendation inadvertently included \$0.7 million of these expenditures for the Cranston Street Armory in the Military Staff's budget. The Governor subsequently requested an amendment to reflect these expenditures in the Department of Administration's budget. She also requested an amendment to reflect general revenue savings of \$154,228 based on building occupancy on the Pastore Center. **The Assembly concurred.***

DOT Facility Charges to Gas Tax. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources.

*The Governor's budget adds \$3.8 million from federal funds and gasoline tax for the Department of Transportation's share of centralized services. This includes \$0.8 million for human resources and \$3.1 million for information technology services. The recommendation funds centralized facility charges for the Department of Transportation's facilities with general revenues in the Department of Administration's budget. **The Assembly directed these expenditures be paid with resources within the Department of Transportation's budget and included \$0.5 million in expenditures from gasoline tax, based on square footage of the facilities.***

Other Staffing and Operations. The Department requested \$2.1 million from general revenues for all other operating expenses for the Division of Capital Asset Management and Maintenance, which was created to manage and maintain state-owned facilities. This is \$0.2 million less than enacted. The request includes \$2.0 million for salary and benefit costs of 13.0 full-time equivalent positions, primarily project managers and senior staff positions. The request includes \$0.1 million for operating expenses, \$15,000 less than enacted. *The Governor recommended \$0.9 million less from general revenues than requested. It appears that this adjustment was made in error.* **Based on current staffing and the decision not to allow use of Rhode Island Capital Plan funds for staff, the Assembly restored \$0.7 million.**

Division of Enterprise Technology Strategy and Services

Information Technology Investment Fund. The request includes \$9.4 million from the Information Technology Investment Fund, which was created for acquiring information technology improvements, including, but not limited to, hardware, software, and ongoing maintenance. This is \$0.4 million more than enacted and is consistent with the revised request to include salary and benefit costs for two positions being paid from the Fund. One of the positions is new and the Department indicated that this employee is working on the federal grants management system. The other employee was transferred from the Executive Office of Health and Human Services.

The Department indicated that the positions would be funded through the Fund as time-limited positions for a 12-month period. However, funding is also included in the FY 2019 request. It further noted its plan to create a billed service model for a grants management unit and bill the costs statewide through the statewide cost allocation plan. This would require federal approval, which the Department has not received.

At the end of FY 2017, the fund had a balance of \$21.2 million and the Department projected receipts of \$19.6 million through FY 2023, resulting in \$40.8 million of resources. However, the plan assumes \$45.4 million in total project costs, or \$4.6 million above projected resources, and this did not take into account annual salary and benefit costs of \$0.4 million, which would cost another \$2.6 million from FY 2018 through FY 2023.

The Fund is supported by land sale receipts and a dedicated portion of E-911 fees. The 2017 Assembly also adopted legislation to allow receipts from the Division of Motor Vehicles' \$1.50 surcharge into the Fund through FY 2022 to be used for project-related payments, maintenance, and enhancements for the Division's new information technology system. *The Governor concurred and recommended an additional \$1,719 for benefit adjustments.*

It appears that funding for several new projects is included in the Governor's recommendation; however, overall funding for projects remains at the enacted amount of \$9.0 million. She recommended use of \$1.7 million from the Fund to upgrade the vital records system. Supporting documents suggests that certain vital record fees would increase and would be directed into the Fund to help offset project costs; however, the fees are set by statute and no legislation was submitted to effectuate this.

*She subsequently requested an amendment to assess surcharges for certified records of no more than \$5.00 for mail-in, no more than \$3.00 for duplicate, and no more than \$2.00 for walk-in at municipal halls. The surcharge receipts would be deposited into the Information Technology Investment Fund for the implementation of an Electronic Statewide Registration System. Once costs for the system are fully reimbursed, receipts would then be deposited as general revenues. **The Assembly concurred, with the exception of maintaining surcharges in the Fund.***

Other Staffing and Operations. The Department requested \$33.1 million from all sources, including \$22.2 million from general revenues for all other expenses in the Division of Enterprise Technology Strategy and Services. The request includes \$26.3 million to fund the authorized level of 194.0 full-time

equivalent positions. This is \$0.4 million more than enacted, including \$49,186 from general revenues, which is \$0.2 million less than the current service estimate based on updated cost allocation of staff time to projects, such as the Unified Health Infrastructure Project. The request assumes turnover savings of \$1.5 million, or \$0.1 million more than enacted. This equates to approximately 10 vacancies. As of the last pay period in November 2017, the Division had ten vacancies.

The Department requested \$6.8 million from all sources of funds for operating expenses. This is \$49,100 less than enacted, including an increase of \$32,639 from general revenues. It includes minor adjustments for internet services, information technology support and maintenance of various equipment such as copy machines. These expenditures total \$5.1 million and account for approximately 75 percent of the request. The request is \$0.1 million or 1.5 percent less than FY 2018 projected expenditures.

*The budget reflects the transfer of funding for information technology services to state agencies through newly established internal service funds. The recommendation retains a total of \$4.0 million from all sources, including \$3.7 million from general revenues for the Department's share for information technology services. The Department will now be billed the same way as other state agencies. **The Assembly concurred.***

Human Resources

Staffing and Operations. The Department requested \$11.6 million from all sources, including \$8.1 million from general revenues for operating costs of the Division of Human Resources. Salary and benefit costs of \$11.3 million for 100.0 full-time equivalent positions are \$0.3 million and 0.2 positions more than enacted. This includes \$64,344 from general revenues and \$251,643 more from federal, restricted and other funds, reflective of anticipated interagency billings. The request includes benefit rates consistent with FY 2019 planning values. Consistent with the enacted budget, it assumes \$0.4 million in turnover savings, which is equivalent to 3.5 full-time equivalent positions. As of the last pay period in November 2017, the Division had 8.0 positions vacant.

The request includes the enacted amount of \$0.3 million for operating costs.

The constrained budget proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.8 million from various divisions throughout the Department. This includes \$0.4 million for five positions in the Division of Human Resources.

*The budget reflects the transfer of funding for human resource services to state agencies through newly established internal service funds. The recommendation retains \$1.3 million from all sources; all but \$32,918 is from general revenues for the Department's share for human resources support. **The Assembly concurred.***

Purchasing

E-Procurement Implementation. The 2017 Assembly authorized the chief purchasing officer to establish, charge as well as collect a statewide contract administrative fee not to exceed 1.0 percent of master price agreements from vendors. The Department indicated that it will start charging the assessment on new master price agreement contracts and then it will work to determine how it will charge existing vendors. The request includes the enacted amount of \$350,000 in general revenue savings. This is not consistent with the revised request, which had restored the savings and recategorized enacted expenditures from the assessment to include \$0.2 million to fund two positions who will be working on the project.

The Governor recommended funding as requested. The Department's FY 2018 third quarter report restored \$250,000 of the general revenue savings reflecting the Governor's decision not to charge vendors

the administrative fee. System development costs will be paid from the Information Technology Investment Fund. The Assembly restored the \$250,000 of the FY 2018 savings; however, no amendment was requested to suggest that the savings in FY 2019 would not be achieved.

Purchasing – Transportation Positions. Based on anticipated workload, the request includes \$0.2 million from other funds to support two new positions that would be dedicated to procurement for transportation related projects. Though funding for this was not included in the Department of Transportation’s budget, the Department indicated that based on its current filled positions, this cost can be absorbed. The revised request includes \$0.1 million to fund the positions, which the Department anticipated filling in February 2018. *The Governor concurred. The Assembly concurred.*

Staffing and Operations – Other (1.0 FTE). The Department requested \$3.3 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 \$47,054 and 1.0 position more than enacted, reflecting the addition of an administrator position. The 2017 Assembly did not concur with the Governor’s recommendation to add and fund the position. The position has been filled. The request assumes an additional \$0.1 million from turnover savings. As of the last pay period in November 2017, the Division has three vacancies.

The request includes the enacted amount of \$0.1 million for operating expenses.

The constrained budget proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.8 million from various divisions throughout the Department. This includes \$0.2 million for two positions in Purchasing. The Department indicated that the layoff would hinder its ability to provide enforcement on procurement of services to state agencies in a timely manner.

The Governor recommended \$0.1 million less than the unconstrained request primarily to reflect additional turnover savings. As of the pay period ending February 3, the Division had two positions vacant. The Assembly concurred and also provided funding for cost-of-living adjustments.

Office of Management and Budget

Office of Internal Audit. The Department requested 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 and Human Services, the Office of Postsecondary Commissioner, and the University of Rhode Island to effectuate this.

The request includes \$4.0 million to fund the authorized level of 33.0 full-time equivalent positions. This is \$20,080 more than enacted, and includes a shift of \$0.5 million from other funds to general revenues. The Department indicated that not all the work assigned was reimbursable through federal funds at the Department of Human Services and the Executive Office of Health and Human Services. It further noted that when the positions were transferred to the Department in FY 2017, a reimbursement rate of 46.0 percent was assumed and it is actually closer to 20 percent. It appears that assumptions of allowable charges on certain federal grants were overstated.

As of the last pay period in December 2017, the Office had 9.0 of its 33.0 authorized positions vacant. The request assumes \$0.1 million in turnover savings for which the enacted budget did not include any.

The request includes the enacted amount of \$0.4 million for operating expenses, including \$300,000 from restricted receipts for auditing of quasi-public corporations, which current law allows the Chief of the Bureau of Audits to charge a reasonable cost. *The Governor concurred and recommended an additional*

\$13,769 for benefit adjustments. The Assembly concurred and also provided funding for cost-of-living adjustments.

Lean Initiatives. The request includes new expenditures of \$50,000 from general revenues to fund lean process improvement projects to improve operational efficiency. This includes \$30,000 for three projects that the Department has yet to identify, \$6,500 to fund interns to support the program and \$13,500 for operating supplies. *The Governor recommended funding as requested. The Assembly did not concur.*

Office of Performance Management – Other (2.0 FTE). The request includes \$0.8 million from general revenues for all other expenses for the Office of Performance Management. This is \$0.3 million more than enacted to provide funding for two new positions and includes updated benefit rates, consistent with FY 2019 planning values. The 2017 Assembly did not concur with the Governor’s recommendation for two new positions, which the Department indicated would analyze departmental performance data and provide management support to agencies. Both positions were filled in FY 2016.

The request includes the enacted amount of \$125,028 for operating expenses, of which \$120,000 was provided to make modifications to the portal, tying performance measures to the departments’ new strategic plans. The Department indicated that funding is not needed in the current year; however, it has not provided a plan for use of the funds in FY 2019.

The constrained budget proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.6 million from various divisions throughout the Department. This includes \$0.3 million from two positions in the Office of Performance Management. The Department indicated that it would then merge Performance Management with the State Budget Office and have the executive director supervise the staff. *The Governor recommended funding and staffing authorization as requested. The Assembly concurred.*

Regulatory Reform – APA Staff Conversion (2.0 FTE). The enacted budget includes \$170,704 from general revenues for the Office of Regulatory Reform to obtain contracted legal services for the review of state regulations. The request converts the funding from contracted services to salaries and benefits, which are not time-limited. It reflects a net increase of \$28,512 and staffing authorization for the two new positions, an economic policy analyst and a senior management analyst to perform the associated work. Both positions were filled by July 2017. Subsequently, one became vacant. *The Governor recommended funding and staffing authorization as requested. The Assembly did not concur and provided funding consistent with the enacted budget.*

Office of Regulatory Reform - Other. The request includes \$0.7 million from general revenues to fund all other expenses for the Office of Regulatory Reform. This is \$0.1 million less from general revenues than enacted to primarily reflect the cost of the ombudsman position being allocated to the Commerce Corporation. The Department indicated that the Corporation has agreed to pay the cost for the position. This is consistent with the revised request.

It should be noted that the ombudsman position was previously in the Commerce Corporation; however, the 2012 Assembly transferred it to the Department of Administration. The Administration had proposed transferring the position to Commerce, as well as the Department of Business Regulation. The Assembly did not concur with either proposal. *The Governor concurred and recommended an additional \$3,653 for benefit adjustments. The Assembly concurred.*

Federal Grants Management System. Consistent with the revised request, the request includes \$0.1 million from general revenues for its share of the cost to develop a federal grants management system, which will also be integrated with the state’s financial, budget, payroll, and time and attendance systems with grants information. The total project cost with four years of software licensing is \$9.1 million, \$1.7 million of which will be paid with sources from the Information Technology Investment Fund; remaining

costs were allocated to several state agencies. *The Governor recommended funding as requested.* **The Assembly concurred.**

Performance Management Portal. The FY 2019 request includes the enacted amount of \$0.1 million from general revenues, which was provided to make modifications to the portal, tying performance measures to the departments' new strategic plans. It should be noted that the revised request removed the funding and the Department indicated that funding was not needed; however, it has not provided a plan for use of the funds in FY 2019. It appears that not all agency program performance measures are on the website and some of the data are outdated. *The Governor recommended funding as requested.* **The Assembly did not concur and removed the funding.**

Pay for Success Pilot Program. The request includes the enacted amount of \$0.3 million from general revenues to fund a new Pay for Success Pilot program, which is intended to increase employment and reduce recidivism of formerly incarcerated individuals. A contract was awarded; however, the Administration indicated that it was subsequently rescinded due to lack of participants. *The Governor recommended funding as requested.* **The Assembly removed the funding.**

Staffing and Operations – Other (1.0 FTE). The Department requested \$5.0 million from general revenues for all other expenses for the Office of Management and Budget, including the following offices: Director of Management and Budget, Budget and Federal Grants Management. This is \$0.2 million more than enacted, including \$23,286 for updated benefit rates, consistent with FY 2019 planning values. The request is \$0.2 million more than the current service estimate, including \$0.1 million for a new principal management and methods analyst position in the Office of Federal Grants Management. The position was filled in FY 2016. The request also restores \$0.1 million of turnover savings.

The Governor recommended \$48,569 more than requested; she included the requested position but did not restore turnover savings, offset by \$150,000 for software maintenance costs associated with the new budgeting system. **The Assembly concurred and provided funding for cost-of-living adjustments. It also provided \$300,000 from general revenues to fund a data analytics pilot to support the mission of the Department of Children, Youth and Families as stated in Article 1 of 2018-H 7200, Substitute A, as amended.**

Construction Permitting, Approvals and Licensing

Contractors' Registration and Licensing Board. The request includes \$1.3 million from restricted receipts for the Contractors' Registration and Licensing Board, which is responsible for registering building contractors and licensing home inspectors and commercial roofers. The restricted receipts are generated primarily from registration fees paid by contractors and commercial roofers. The request includes \$1.0 million for salary and benefit costs for the authorized level of 9.0 positions. This is \$50,873 less than enacted, reflective of filled positions. As of the last pay period in November 2017, the Division had no vacancies.

The request includes \$0.3 million for operating expenses, or \$186,833 more than enacted. This includes \$180,901 for information technology charges. Previously, this expenditure was deducted from receipts and shown as centralized information technology expenses.

The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate work relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of the Contractors' Registration and Licensing Board to the Department of Business Regulation.

In the Department of Business Regulation, she recommended \$1.3 million from restricted receipts for the Board, \$3,660 more than requested for benefit adjustments. She also recommended funding the Boards for

*Design Professionals' expenses with these receipts; however, it does not appear that there are sufficient funds to make this a viable option. The administration indicated that it is looking at administrative efficiencies. **The Assembly concurred.***

Building and Fire Codes – Staffing and Operations. The request includes \$1.9 million from general revenues to fund the operations of the State Building Code Commission and the Fire Code Board of Appeal and Review. This is \$80,865 more than enacted, including an increase of \$92,465 for salaries and benefits. This restores expenses previously allocated to the I-195 Redevelopment Commission for staff time related to the I-195 land acquisition project, and updated benefit rates consistent with FY 2019 planning values. As of the last pay period in November 2017, there were no vacancies.

Operating costs of \$0.1 million are \$11,000 less than enacted, based on FY 2017 reported expenditures for program supplies and state fleet overhead costs, which includes general maintenance, insurance and fuel.

*The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate professions relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of the State Building Code Commission and the Fire Code Board of Appeal and Review to the Department of Business Regulation. In the Department of Business Regulation, she recommended \$1.9 million from general revenues, \$6,399 more than requested for benefit adjustments. **The Assembly concurred.***

Planning

Water Resources Board to PUC. Consistent with its revised request, the FY 2019 request includes a proposal to transfer the Water Resources Board to the Public Utilities Commission and assumes a savings of \$0.4 million from general revenues. Operating costs for the Water Resources Board would be charged to regulated utilities. The Public Utilities Commission currently regulates six water suppliers. Legislative approval is required for this proposal to take effect.

Prior to 2011, the Water Resources Board was a stand-alone agency. The 2011 Assembly adopted legislation merging the Board into the Division of Planning to more closely align the water planning aspects of the Board with the statewide planning process. The Water Resources Board is staffed by 3.0 full-time equivalent positions, including a staff director who is responsible for monitoring water quality protection surcharge collections, tracking drought and supply data as well as managing the day to day operations of the Board itself; a supervising civil engineer who is responsible for oversight of the Big River Management Area, which must be maintained for future development of groundwater wells. The third position is the general manager, which has been vacant for almost two years.

*The Governor concurred. A Memorandum of Understanding, signed on October 20, 2017, between the Department of Administration and the Public Utilities Commission is being used to allow the transfer for FY 2018. Article 3 of the Governor's recommended budget transfers the Board effective FY 2019. Additional statutory changes are required; however, the article calls for those changes to be submitted to the 2019 Assembly. **The Assembly did not concur and maintained the Water Resources Board in the Department of Administration.***

Planning Support to Gasoline Tax. Consistent with its revised request, the Department shifted \$0.5 million of salary and benefit costs for 4.3 full-time equivalent positions from general revenues to Department of Transportation sources. This represents staff time associated with the development of the Transportation Improvement Program in the Division of Planning. This is part of the Governor's proposal to achieve \$25.0 million of statewide savings included in the enacted budget. The Department of Transportation's budget request reflects this expense. *The Governor concurred. **The Assembly concurred.***

Other Expenses. The request includes \$4.2 million primarily from the Federal Highway Administration for planning work related to transportation projects. This is \$14,021 more than enacted to reflect benefit rates, consistent with FY 2019 planning values. These funds are reimbursed by the Federal Highway Administration through the Department of Transportation for planning related projects. The Transportation Advisory Committee advises the State Planning Council on transportation planning and encourages public participation in the process. The Committee also reviews and provides input into the transportation planning documents that are the responsibility of the State Planning Council including the Ground Transportation Plan and Transportation Improvement Program. *The Governor concurred and added \$6,219 for benefit adjustments.* **The Assembly concurred.**

Other Programs

City Year. The Department requested the enacted amount of \$100,000 from general revenues to City Year for the Whole School Whole Child Program, which provides individualized support to at-risk students. *The Governor recommended funding as requested.* **The Assembly provided an additional \$30,000 for total funding of \$130,000 as identified in Article 1 of 2018-H 7200, Substitute A, as amended.**

Office of Diversity, Equity and Opportunity. The Department requested \$1.4 million from all funds, including \$1.3 million from general revenues for staffing and operating costs for the Office of Diversity, Equity and Opportunity. This is \$11,179 less than enacted and staffing consistent with the authorized level of 9.0 full-time equivalent positions. This includes \$37,727 less from general revenues and \$26,548 more from Department of Transportation funds for costs allocated for the Disadvantaged Business Enterprise. As of the last pay period in November 2017, the Office had two positions vacant.

The request includes the enacted amount of \$139,235 for operating costs. It includes \$55,500 for outreach advertising expenditures. It also includes \$28,000 for conference and training related activities, which the Office indicated would reduce potential claims of discrimination in the workplace.

The constrained request includes savings of \$92,024, including \$33,049 from turnover. The remainder of the savings is from conference and training related activities as well as travel.

The Governor recommended \$49,052 less than requested from all funds; she concurred with the turnover savings and assumed approximately half of the operational savings proposed in the constrained request. **The Assembly concurred and provided funding for cost-of-living adjustments.**

Other Salaries and Benefits. The Department requested \$10.3 million from all sources, including \$9.5 million from general revenues for salary and benefit costs to support the authorized level of 174.8 full-time equivalent positions in the following programs: Central Management, Legal Services, Personnel Appeal Board, Accounts and Control and the Office of Library and Information Services. The request is \$124,829 more than enacted, including \$86,949 more from general revenues and is \$1,813 less than the current service estimate.

The constrained budget proposes the layoff of 16.0 full-time equivalent positions for a savings of \$1.8 million from various divisions throughout the Department. This includes \$0.4 million from three positions in the Office of Accounts and Control. The Department indicated that the account protection officers maintain the state's Oracle fixed asset database and the layoffs will likely increase the risk of fraud, waste and abuse regarding the state's assets.

The Governor concurred, with the exception of providing \$0.2 million less from all sources. This includes \$0.1 million of turnover savings in Central Management and \$0.1 million from the elimination of an account protection officer position in the Office of Accounts and Control. She also included \$0.2 million to partially fund two positions in the Office of the Governor.

The Assembly did not concur with the allocated personnel expenditures for the Governor’s Office. It provided \$0.6 million from general revenues for cost-of-living adjustments and assumed \$0.1 million in savings based on longevity savings available from the voluntary retirement incentive program.

Other Expenses. The Department requested \$2.3 million from all sources of funds, including \$1.6 million from general revenues for all other expenses. This is \$17,914 less than enacted, of which \$65,253 is from general revenues. This includes new expenditures of \$30,000 for annual software associated with the compilation of the state’s comprehensive annual financial report. The Department indicated that the software was purchased in FY 2017 and anticipated an installation date in January 2018. It further noted that the software will enable the Office of Accounts and Control to streamline the report. Consistent with the revised request, the request includes a total of \$0.2 million or \$0.1 million more for labor contract negotiations, offset by savings from delivery of library materials based on FY 2017 experience. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital – Virks Building Renovations. The request includes the enacted amount of \$5.2 million from Rhode Island Capital Plan funds for the Virks building project. This appears to have been requested in error as the project is expected to be completed in December 2017. *The Governor recommended funding consistent with the approved plan.* **The Assembly concurred.**

Capital – Other Projects. The Department requested \$41.3 million from Rhode Island Capital Plan funds for 33 projects, two of which are new. This is \$5.4 million more than enacted and is \$0.6 million more than the capital budget request. *The Governor recommended a total of \$27.0 million for 27 projects. This is \$14.2 million less than requested. Subsequently, she requested several amendments to reflect revised project costs or delays.* **The Assembly provided total project costs of \$30.4 million essentially as recommended. A detailed analysis of the projects is included in the Capital Budget section of this publication.**

Revenue Initiatives

Collections Unit. The Department’s budget includes a proposal to create a new Collections Unit within the Department of Revenue modeled after the collection units of Washington, Connecticut, Massachusetts and Maryland. The Department noted that the current structure of collection activities is segregated by departments or programs, thereby creating deficiencies because of a lack of data sharing. The proposed Collections Unit would be responsible to collect all amounts owed to health and human service agencies, except for child support payments. It would require 17.0 full-time equivalent positions and eventually funding for a vendor for a call center. The request assumes net revenues of \$1.0 million.

Subsequently, the Department indicated that the plan is to launch a pilot program in February 2018 with the hiring of reconciliation clerks who would assist agencies in determining delinquent debts. It should be noted that no funding is included in the FY 2018 revised request for this. The Department anticipated collection activities starting in July or August of 2018. For FY 2019, it anticipated \$1.3 million in revenues and operating costs of \$0.7 million, including \$60,000 for legal services, \$560,000 for salaries and benefits, and \$111,000 for technology. This would result in net revenues of \$0.6 million.

The Governor proposed legislation in Article 4 of 2018-H 7200 authorizing the establishment of a collections unit within the Department of Revenue, subject to appropriation. Further details are contained in the analysis for that department elsewhere in this publication. **The Assembly concurred.**

Department of Business Regulation

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 1,296,420	\$ 2,257,268	\$ 2,213,227	\$ 2,396,826
Banking Regulation	1,793,062	1,556,802	1,895,725	1,835,317
Securities Regulation	989,364	975,747	1,007,821	1,030,879
Commercial Licensing, Gaming & Athletics	2,671,652	2,574,168	3,298,252	2,880,397
Insurance Regulation	5,751,931	5,749,599	5,866,969	5,966,467
Office of the Health Insurance Commissioner	2,735,299	2,643,964	2,386,602	2,417,860
Board of Accountancy	6,000	6,000	6,000	6,000
Boards for Design Professionals	362,455	323,703	-	-
Building and Design Professionals	-	-	7,855,695	7,975,651
Total	\$ 15,606,183	\$ 16,087,251	\$ 24,530,291	\$ 24,509,397
Expenditures by Category				
Salaries and Benefits	\$ 12,257,188	\$ 11,568,241	\$ 18,241,771	\$ 18,066,649
Contracted Services	2,226,213	2,356,330	2,516,682	2,516,682
Subtotal	\$ 14,483,401	\$ 13,924,571	\$ 20,758,453	\$ 20,583,331
Other State Operations	1,004,044	2,044,172	3,619,872	3,774,100
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	80,000	80,000	80,000	80,000
Capital	38,738	38,508	71,966	71,966
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 15,606,183	\$ 16,087,251	\$ 24,530,291	\$ 24,509,397
Sources of Funds				
General Revenue	\$ 10,815,093	\$ 10,831,230	\$ 17,166,351	\$ 17,430,457
Federal Aid	892,213	1,049,269	892,631	892,631
Restricted Receipts	3,898,877	4,206,752	6,404,812	6,119,812
Other	-	-	66,497	66,497
Total	\$ 15,606,183	\$ 16,087,251	\$ 24,530,291	\$ 24,509,397
FTE Authorization	101.0	106.0	170.0	161.0

Summary. The Department of Business Regulation requested FY 2019 expenditures of \$16.1 million from all sources, including \$11.2 million from general revenues. The request is \$0.5 million more than enacted, including \$0.4 million more from general revenues, \$0.4 million less from federal funds, and \$0.5 million more from restricted receipts. The Department requested 106.0 full-time equivalent positions, 5.0 more than the authorized level.

The Department also submitted a constrained request that is \$0.1 million less from general revenues than the unconstrained request, and includes \$1.5 million in new revenue enhancement initiatives.

The Governor recommended \$24.5 million from all sources, \$8.9 million more than enacted, including \$6.4 million from general revenues. Excluding the cost of centralized services transferred from the Department of Administration, the recommendation is \$7.6 million more than enacted, including \$5.4 million more from general revenues, of which \$5.1 million is related to a proposal to establish a new Building, Design and Fire Professionals Division from entities transferred from elsewhere in state government. The recommendation includes 170.0 full-time equivalent positions. As of the pay period ending January 20, the Department had 4.4 vacancies.

The Assembly included \$20,894 less than recommended, including \$0.3 million more from general revenues, primarily to reflect statewide cost-of-living adjustments. It authorized staffing of 161.0 full-time equivalent positions, 60.0 positions more than enacted and 9.0 positions less than recommended.

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 \$89,066 and a 10.0 percent target reduction of \$1.1 million.

The constrained budget submitted by the agency is \$1.2 million more than the target. In order to meet the target, the Department proposed two revenue initiatives totaling \$1.5 million and included \$0.1 million in savings from the Office of the Health Insurance Commissioner. The proposals to achieve the reductions are noted among the following items, where appropriate. *The Governor’s recommendation is \$6.3 million above the target adjusted for centralized services expenses. This includes \$5.1 million related to a proposal to establish a new Building, Design and Fire Professionals Division. The enacted budget is \$6.5 million above the target, including \$5.2 million to establish the new Building and Design Professionals Division.*

FY 2019 Budget	Budget Office		DBR	Difference		
FY 2018 Enacted	\$	10,815,093	\$	10,815,093	\$	-
Current Service Adjustments		89,066		89,066		-
New Initiatives		-		(1,197,094)		(1,197,094)
Change to FY 2018 Enacted	\$	89,066	\$	(1,108,028)	\$	(1,197,094)
FY 2019 Current Service/Unconstrained Request	\$	10,904,159	\$	9,707,065	\$	(1,197,094)
Target Reduction/Initiatives		(1,090,416)		(96,390)		994,026
FY 2019 Constrained Target/Request	\$	9,813,743	\$	9,610,675	\$	(203,068)
Change to FY 2018 Enacted	\$	(1,001,350)	\$	(1,204,418)	\$	(203,068)

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. The Governor’s revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million.

For the Department of Business Regulation, the FY 2018 budget assumes \$0.7 million from several items, including shifting the funding for the Boards for Design Professionals to restricted receipts from general revenues. The FY 2019 budget maintains the shift of fund sources and includes \$0.3 million in turnover savings. The Assembly concurred.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The

state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

*The Governor's budget adds \$1.2 million, including \$1.0 million from general revenues for the Department's share of centralized services transferred from the Department of Administration. This includes \$0.2 million for human resources support, \$0.6 million for information technology services, and \$0.4 million for facilities management. Subsequent to the submission of the budget, the Governor requested and amendment to increase the Department's share of facilities management expenses at the Center General building by \$0.2 million, based on updated data. **The Assembly concurred.***

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget did not include any funding set aside pending the outcome of contract negotiations. **The Assembly provided \$0.4 million from general revenues.***

Staffing. The Department's FY 2018 revised request includes 106.0 full-time equivalent positions, which is 5.0 more positions than the enacted authorization. The 2016 Assembly reduced the number of authorized positions by six existing vacancies; but did not remove funding. The Governor's FY 2018 recommendation included the Department's request to add 9.0 full-time equivalent positions, eliminated 2.0 positions within the Office of the Health Insurance Commissioner, and added 2.0 positions transferred from the Department of Health. The 2017 Assembly concurred with the Governor's recommendation for the Office, and provided 5.0 fewer positions than recommended for the remainder of the Department. The Department requested 5.0 positions above its current authorization, including 1.0 position each for Banking and Insurance Regulation, and 4.0 positions for Commercial Licensing, Gaming and Athletics, including 1.0 reallocated from Central Management.

The Department is currently seeking accreditations in the Banking Division. Rhode Island is an outlier as the only state lacking the banking accreditation; however, there is no financial penalty related to the lack of accreditation. The budget represents the Department's desire to achieve a staffing level consistent with these goals. The Department reported new recruitment and hiring practices have resulted in significant gains in qualified candidates, which is consistent with gains to FY 2017 staffing.

*Consistent with the revised recommendation, the Governor recommended the requested positions. Her budget also recommended transferring 59.0 positions to the Department to establish a new Division of Building, Design and Fire Professionals, including 23.0 from the Division of Construction Permitting, Approvals and Licensing at the Department of Administration, and 36.0 from the State Fire Marshal at the Department of Public Safety. The Budget also transfers the licensing of various professions and 2.0 positions from the Department of Health to the Division of Commercial Licensing, Gaming and Athletics, and adds 3.0 licensing aides to the Medical Marijuana Licensing Program consistent with the proposed expansion of compassion centers and consolidation of the oversight of caregivers and authorized purchasers. **The Assembly authorized a staffing level of 161.0 positions. The Assembly did not concur with the proposed transfer of 2.0 licensing aide positions from the Department of Health, nor the 4.0 medical marijuana positions recommended and eliminated 3.0 vacant positions. As of the end of May, the Department had 16.4 vacancies.***

Office of the Health Insurance Commissioner

State Innovation Models. The Office requested \$0.3 million from federal funds for staffing and operations supported by the State Innovation Models grant. 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 \$5,026 more than enacted, including \$3,461 more for salaries and benefits to fully fund 2.0 full-time equivalent positions, and \$1,565 in new funding to reflect the Office's efforts to shift its operational expenses from general revenues to its other fund sources. *The Governor recommended \$1,204 more than requested for statewide benefit adjustments.* **The Assembly concurred.**

Health Insurance Enforcement Grant. The Department requested \$0.1 million, which is \$0.4 million less than enacted, from federal funds for 3.0 full-time equivalent positions and operations associated with the Health Insurance Enforcement and Consumer Protection grant. The grant is slated to close October 2018, and the request reflects anticipated expenditures prior to the close of the grant. The positions currently funded by the grant are anticipated to move to other sources of funds, discussed later in this analysis. The Office reported that extensions are not permitted until six months prior to the close of the grant, April 2018. The Office anticipates a redistribution of available funding from other programs, and intends to request an extension when it is permissible. *The Governor recommended \$307 more than requested for statewide benefit adjustments.* **The Assembly concurred.**

Rate Review Activities. Consistent with its revised request, the Office did not request any funds from its federal rate review grants to reflect the end of the grants. The rate review grants were funded from three federal sources, which were all slated to close September 30, 2016. The Office received an extension to utilize the funds from two grants through September 30, 2017 and received a second extension through December 2017 to complete its project. *The Governor recommended funding as requested.* **The Assembly concurred.**

Health Care Utilization Review. The Department requested \$0.2 million, \$5,080 more than enacted from restricted receipts for staffing and operations related to the Health Care Utilization review program transferred from the Department of Health to the Office of the Health Insurance Commissioner, effective January 1, 2018. The request includes \$0.2 million to fund 2.0 full-time equivalent positions, including updated benefits consistent with FY 2019 planning values, and \$4,000 for operating supplies. *The Governor recommended \$659 more than requested for statewide benefit adjustments.* **The Assembly concurred.**

RI REACH. The Office requested \$420,250, from general revenues for the Rhode Island Insurance Resource, Education, and Assistance Consumer Helpline, operated by the Rhode Island Parent Information Network. This is \$10,250 more than enacted. It serves as the Office's designated health insurance consumer assistance program, through a live-answer toll-free helpline. The helpline has operated since FY 2014, funded through federal grants until FY 2016; since FY 2017, it has been funded from general revenues. Documents in support of the request report the funding is for seven positions and operations. The helpline reports having handled 35,303 calls, and served 2,751 clients with a 94.0 percent satisfaction rating in FY 2017.

The Office's constrained request eliminates its request for additional general revenues and shifts \$70,000 of expenses for the helpline to federal Medicaid funds to reflect the proportion of the services supporting Medicaid. This item was not included in the unconstrained request due to uncertainty of the allocation of this fund source. If the appropriate approvals are received, savings could also accrue to the current year.

The Governor included total funding as requested and shifted \$70,000 to federal Medicaid funds. **The Assembly concurred.**

Premium Assessment (1.0 FTE). The Office requested \$136,410 from restricted receipts, including \$132,410 to shift the source of funds for salaries and benefits of 1.0 full-time equivalent employee from federal funds to restricted receipts, and \$4,000 in operational expenses. The request includes a premium assessment of 0.025 percent of premiums to support the initiative to reimburse the Office for 150.0 percent of the position. The request estimates net revenue of the assessment to the state of \$66,205. The Office has not yet explained the calculation of the assessment, but is working with the National Association of Insurance Commissioners to determine best practices for this type of assessment.

The Office currently has 13.0 authorized positions, six are funded by general revenues, five are funded by two federal grant sources, and two currently vacant positions are funded through restricted receipts. The three positions associated with the Health Insurance Enforcement and Consumer Protection grant will be unfunded when the grant closes in October of 2018. The Office reported this request reflects the need to sustain a supervisory position within its hierarchy. The position's responsibilities will be structured to ensure its work is appropriate for "commercial insurer 'reasonable cost recovery' under current law." It should be noted that the Office's restricted receipt authorization under current law does not appear to support this usage, and will require a legislative change.

As part of its constrained request, the Office excluded this request, and did not shift the position to another fund source, leaving the position unfunded. *The Governor did not recommend this initiative.* **The Assembly concurred.**

Other Staffing and Operations. The Office of the Health Insurance Commissioner requested \$1.3 million from all funds, which is \$70,944 more than enacted from general revenues for all other expenses.

This request adds \$63,060 more for salaries and benefits for six full-time equivalent positions, including a \$6,313 current service adjustment consistent with updated Budget Office planning values and \$7,884 for its grants management licensing system. The request also includes the enacted amount of \$165,000 from general revenues for contracted services for technical regulatory support including design and compliance assessments and affordability standards, legislative and policy analysis, and consumer public relations. The request also includes \$11,500 from restricted receipts for travel and training expenses.

The Department's constrained request is \$16,140 less for program supplies, to reflect historical expenditure levels. *The Governor recommended \$5,512 more than requested for statewide benefit adjustments.* **The Assembly provided \$31,258 more than recommended to reflect cost-of-living adjustments.**

Other Divisions

Medical Marijuana Regulation (1.0 FTE). The Department requested \$1.0 million, \$0.2 million more than enacted from restricted receipts for staffing and operating costs related to medical marijuana licensing. The request includes funding for 5.0 full-time equivalent positions, one more than included in the enacted budget. It appears the Department filled a legal counsel vacancy with an administrative officer position that was not authorized. It now requests to hire a legal counsel as well. The request is \$0.5 million more than spent in FY 2017, including \$0.3 million more exclusive of salaries and benefits.

The request includes \$51,962 more for salaries and benefits representing the additional full-time equivalent positions. The request also includes \$97,000 more for office operations, including \$35,000 more for operating expenses to support the requested staffing level, \$45,000 more for the plant tagging system intended as a one-time expenditure, \$12,000 more for travel expenses, and \$5,000 more for vehicle expenses not considered in the program's initial appropriation. The program funding originally only included expenditures for staff and the program's plant tagging system.

The request also includes \$30,000 in capital expenses attributed to costs associated with additional plant tags, an encrypted card printer used to issue all licenses and registration identification cards to employees and agents, as well as \$20,000 for a security consultant. The program visually monitors licensees remotely through their surveillance to ensure compliance and avoid diversion. With anticipated growth of licensees, it is no longer feasible to monitor licensees separately. The program will require a system that will collect the video feeds from all licensees and display them across a bank of monitors similar to the systems used at Twin River or the Department of Transportation.

The Governor recommended \$0.2 million more than requested to add 4.0 full-time equivalent positions. The recommendation funds the requested legal counsel and administrative officer positions, and adds 3.0 licensing aides consistent with the proposed expansion of compassion centers and consolidation of the oversight of caregivers and authorized purchasers.

The Governor also included Article 17 of 2018-H 7200 which contains several changes to the scope and regulatory oversight of the medical marijuana program. It repeals the current compassion center cap of three, establishes a new minimum of 15, and allows medical marijuana cardholders from Massachusetts and Connecticut to purchase from the centers. It raises one-time and annual licensing fees, modifies existing parameters for medical marijuana cultivation and manufacturing, prohibits for-profit retail, distribution and usage facilities, and authorizes the Department to regulate future classes of medical marijuana industries. It also establishes temporary patient eligibility, reduces the number of permissible plants, permits and increases the Department's enforcement authority. The Governor's recommendation assumes \$5.1 million in revenues associated with the changes.

The Assembly did not concur with most of the proposals, nor the 4.0 recommended positions. The Assembly provided \$0.3 million less than recommended, and enacted Article 14 of 2018-H 7200, Substitute A, as amended. The legislation permits out-of-state medical marijuana program cardholders to purchase from compassion centers, increases renewal fees for existing compassion centers from \$5,000 to \$250,000 and permits nurses and physician assistants authorized to write prescriptions to write referrals to the medical marijuana program. It also establishes protections for medical marijuana testing facilities and medical marijuana derived medications that are approved by the Food and Drug Administration. The Budget assumes \$1.1 million in additional revenues from current compassion center fees, and surcharges and sales taxes collected at the centers.

Banking Regulation Staffing (1.0 FTE). The Department requested \$1.8 million from general revenues for salary and benefit costs for 16.0 full-time equivalent positions, one more position than assumed in the enacted budget. The request adds \$0.1 million from general revenues, including \$14,501 for current service adjustment consistent with updated Budget Office planning values, and restores \$22,541 in turnover savings. The request appears to slightly overstate the necessary level of funding. Banking examiners bill the regulated entities for the actual hours spent on each company examination and/or financial analysis at an hourly rate once the examination or analysis is completed. The hourly rate charged is determined by the formula which represents 150.0 percent of salaries and benefits, and is deposited as general revenues.

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.

The Governor recommended \$40,179 less than requested from general revenues, and added 2.0 new bank examiners, consistent with the Governor's FY 2018 revised recommendation, for a total 17.0 Banking Regulation positions. The recommendation reflects savings from filling positions at lower levels from the voluntary retirement incentive and unanticipated turnover. The Governor's budget assumes \$189,540 in

revenues associated with the new positions. The Governor also included Article 3 of 2018-H 7200 to make technical corrections to align the powers, responsibilities and hierarchical structure of the Department enumerated under the statute with current practices within the Department. It reflects the expanded responsibilities of the Director, and the delegation of administrative responsibilities for banking and insurance consistent with current practice.

The Assembly provided \$0.1 million less than recommended to reflect turnover savings offset by cost-of-living adjustments and enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor’s proposed changes. The authorized staffing level includes the elimination of 3.0 vacant positions; to fill these positions the Department would have to maintain vacancies in other divisions.

Insurance Regulation Staffing (1.0 FTE). The Department requested \$4.2 million from all sources for salary and benefit costs for 36.0 full-time equivalent positions, including one more insurance examiner than assumed in the enacted budget. The request adds \$0.1 million more than enacted from general revenues and \$382 more from restricted receipts. The general revenue request includes \$33,836 for current service adjustments consistent with updated Budget Office planning values and restores \$50,098 in turnover savings assumed in the enacted budget. The request appears to slightly overstate the necessary level of funding. Insurance examiners bill the regulated entities for the actual hours spent on each company examination and/or financial analysis at an hourly rate once the examination or analysis is completed. The hourly rate charged is determined by the formula which represents 150.0 percent of salaries and benefits, and is deposited as general revenues.

The Department has been accredited by the National Association of Insurance Commissioners (NAIC) since 1993. The Department reported 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 examination by other states’ regulators, and incur the associated costs.

The Governor recommended \$0.2 million less than requested, primarily from general revenues and added 1.0 new insurance examiner consistent with her FY 2018 revised recommendation. The recommendation reflects savings from filling positions at lower levels from the voluntary retirement incentive and unanticipated turnover. The Governor’s budget assumes \$94,770 in revenues associated with the new position. The Governor also included Article 3 of 2018-H 7200 to make technical corrections to align the powers, responsibilities and hierarchical structure of the Department enumerated under the statute with current practices within the Department. It reflects the expanded responsibilities of the Director, and the delegation of administrative responsibilities for banking and insurance consistent with current practice.

The Assembly provided \$0.1 million more than recommended to reflect turnover savings offset by cost-of-living adjustments and enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor’s proposed changes. The authorized staffing level includes the elimination of 3.0 vacant positions; to fill these positions the Department would have to maintain vacancies in other divisions.

Commercial Licensing, Gaming and Athletics (3.0 FTE). The Department requested \$1.6 million, \$32,270 more than enacted from all funds, for salary and benefit costs for the Division’s remaining 16.8 full-time equivalent positions, three more than the enacted budget. This includes \$33,254 more from general revenues and \$984 less from restricted receipts and includes one new pari-mutuel full-time equivalent position, and one position reallocated from Central Management. The request includes \$16,048 for current service level adjustments to reflect updated Budget Office planning values, and restores \$9,918 of turnover savings.

The Department reported that it allocates staff within the divisions according to business needs; this parimutuel position is being requested to meet the current capacity of the division. The Department licenses all employees that work in the state gaming facilities, as employees of the facility or employees of other operations taking place within the facility including construction or restaurant services.

The Governor recommended \$3,200 more than requested, primarily from general revenues, to reflect statewide benefit adjustments. Consistent with the revised recommendation, she also added 1.0 new parimutuel position.

The Assembly provided \$25,759 more than recommended from general revenues to reflect turnover savings offset by cost-of-living adjustments. The authorized staffing level includes the elimination of 3.0 vacant positions; to fill these positions the Department would have to maintain vacancies in other divisions.

Licensing Boards and Commissions. The Department of Health's request included a proposal to restructure the Center for Professional Licensing, Boards, and Commissions, which license, certify and discipline health care professionals. They also identify professional standards to ensure the highest quality health care for, and protection of, the public. The request assumes the transfer of several boards and commissions to the Department of Business Regulation, including athletic trainers, hearing aid dealers, interpreters for the deaf, funeral directors and several others. The Department indicated that these boards and commissions do not receive a high volume of complaints. The request maintains the staffing authorization and assumes turnover savings of \$0.2 million from general revenues from two positions that support the boards and commissions; a beauty shop inspector and a health services licensing aide. Both of the positions are currently filled. Legislative approval is needed to effectuate this transfer.

*The Governor included legislation in Article 6 of 2018-H 7200 transferring the licensure of several professionals to the Department of Business Regulation. The recommendation reflects the transfer of 2.0 licensing aide positions and includes \$0.2 million to fund them. **The Assembly did not concur.***

Actuarial Services for Rate Review Filings. The Department requested \$1.6 million from restricted receipts, \$0.2 million more than enacted, and \$61,085 more than its revised request, for the costs of actuaries for the Insurance Regulation Division and the Office of the Health Insurance Commissioner. The Department contracts with several vendors that include a 5.0 percent annual inflator through June 30, 2020. The need for actuarial costs has historically been overstated, compared to actual expenditures; the Department has underspent its appropriation by approximately \$0.4 million each of the last three years. The Department reported 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 recommended funding as requested. The Governor also included language in Article 10 which requires the transfer of \$750,000 from this restricted receipt account to state general revenues by June 30, 2018. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$2.1 million from general revenues to fully fund the salary and benefit costs for the 17.2 full-time equivalent positions within divisions not previously discussed. This is \$54,902 more than enacted, including current service level adjustments to reflect Budget Office updated planning values. The request includes \$39,483 more for Central Management, and \$15,419 more for Securities Regulation. *The Governor recommended \$7,340 more than requested to reflect statewide benefit adjustments. **The Assembly provided \$0.1 million more than recommended to reflect cost-of-living adjustments.***

Other Operations. Consistent with its FY 2018 revised request, the Department requested \$0.7 million from all sources of funds for all other operations. The request includes the enacted level of \$309,278 from general revenues, and \$357,660 from restricted receipts, \$25,000 more than enacted. The increase reflects

\$15,000 for membership fees charged by regulatory organizations in which Rhode Island participates, and \$10,000 for associated travel and training. These funds were originally requested for the FY 2017 final budget, as one time funds related to delayed billing from FY 2016. These are ongoing expenses, which reflect increases in the cost of dues for two organizations that assist, train, and advocate for financial regulators. The dues that the Division pays to each of these organizations is based on a set formula based on either the division's budget allocation for financial institution regulation or the total assets held by the regulated institution. These are ongoing expenditures. *The Governor recommended funding as requested. The Governor also included language in Article 10 which requires the transfer of \$800,000 from the Division of Commercial Licensing, Gaming and Athletics' restricted receipt account to state general revenues by June 30, 2018. The Assembly concurred.*

Building, Design and Fire Professionals

Boards for Design Professionals. The Department requested \$28,097 less than enacted from general revenues for staffing and operations for 3.0 full-time positions to support the Boards for Design Professionals to reflect the actual cost of staffing. The request includes the enacted amount of \$58,753 from general revenues for operating costs, including contracted stenographic services required for hearings, postage, and miscellaneous office supplies. The Department's request is fairly consistent with historical expenditures for these items. The Boards for Design Professionals provides administrative support to the following independent boards: the Board of Registration for Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examiners of Landscape Architects, and the Board of Examination and Registration for Architects.

The Governor recommended \$1,285 more than requested to reflect statewide benefit adjustments, and shifts \$0.3 million for the Boards for Design Professionals from general revenues to restricted receipts. The Governor's budget includes Article 3 of 2018-H 7200, which eliminates the Division of Design Professionals and transfers its functions to a new Division of Building, Design and Fire Professionals. A Memorandum of Understanding between the Department of Administration, the Department of Public Safety and the Department of Business Regulation, signed on January 12, 2018, is being used to allow the transfer of funding for FY 2018, as a means of achieving the \$25.0 million savings target.

The Assembly provided \$0.1 million more than enacted to reflect cost-of-living adjustments within the Division of Building, Design and Fire Professionals. It also enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor's proposed changes.

Contractors' Registration and Licensing Board. The Department of Administration's request included \$1.3 million from restricted receipts for the Contractors' Registration and Licensing Board, which is responsible for registering building contractors and licensing home inspectors and commercial roofers. The restricted receipts are generated primarily from registration fees paid by contractors and commercial roofers. The request includes \$1.0 million for salary and benefit costs for the authorized level of 9.0 positions. This is \$50,873 less than enacted, reflective of filled positions. As of the last pay period in November 2017, the Division had no vacancies.

The request includes \$0.3 million for operating expenses, or \$186,833 more than enacted. This includes \$180,901 for information technology charges. Previously, this expenditure was deducted from receipts and shown as centralized information technology expenses.

The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate work relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of the Contractors' Registration and Licensing Board and its 9.0 positions to the Department of Business Regulation.

In the Department of Business Regulation, she recommended \$1.1 million from restricted receipts for the Board, \$3,660 more than requested for benefit adjustments. She also recommended funding the Boards for Design Professionals' expenses with these receipts; however, it does not appear that there are sufficient funds to make this a viable option. The administration indicated that it is looking at administrative efficiencies.

The Assembly concurred and enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor's proposed changes.

Building and Fire Codes. The Department of Administration's request included \$1.9 million from general revenues to fund the salaries and benefits of 14.0 full-time equivalent positions and operations of the State Building Code Commission and the Fire Code Board of Appeal and Review.

The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate professions relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of the State Building Code Commission and the Fire Code Board of Appeal and Review and its 14.0 positions to the Department of Business Regulation.

*In the Department of Business Regulation, she recommended \$1.9 million from general revenues, \$6,399 more than requested for benefit adjustments. **The Assembly concurred and enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor's proposed changes.***

State Fire Marshal. The State Fire Marshal within the Department of Public Safety is responsible for the enforcement of duties required by the Rhode Island Fire Safety Code and all other general and public laws that relate to fires, fire prevention, fire protection, fire investigation, and fire education. The Division also enforces all laws regarding the keeping, storage, use, manufacturing, sale, handling, transportation, or other disposition of explosives and flammable materials. The State Fire Marshal's Office is subdivided into several units including the Bomb Disposal, Enforcement, Fire Education and Training, Inspection, Investigation, and Plan Review.

The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate professions relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of the State Fire Marshal from the Department of Public Safety to the Department of Business Regulation. A Memorandum of Understanding, signed on January 12, 2018, between the Department of Administration and the Department of Public Safety is being used to allow the transfer for FY 2018.

In the Department of Business Regulation, the Governor recommended total funding of \$4.2 million from all sources, including \$3.6 million from general revenues. She includes staffing of 36.0 full-time equivalent positions, one more fire inspector position than the authorized level.

The Assembly concurred and enacted Article 3 of 2018 H-7200, Substitute A, as amended, to effectuate the Governor's proposed changes.

Revenue Enhancement – Securities Fees. The Department provided revenue enhancements in lieu of spending reductions, excluding those proposed for the Office of the Health Insurance Commissioner, in order to achieve its budget target. The Department proposed a 10.0 percent increase on securities fees which impacts two types of mutual funds. Under current law closed mutual funds are subject to a fee of 0.1 percent of the total aggregate offer price, within a range of \$300 to \$1,000, and open end mutual funds are subject to a fee of \$1,000. This proposal would raise the cap or fee from \$1,000 to \$1,100 for both funds. The rate was last changed in 2003, and there are currently 9,121 licensees. The fee is assessed annually, and the increase is estimated to yield an additional \$912,100.

The Governor's recommended budget includes Article 7 of 2018-H 7200 to increase the cap on fees for both funds to \$1,500. The budget includes an effective date of August 1, 2018 and assumes an additional \$4.6 million in revenues from this change, which appears to be based on a full year of collections. The Governor requested an amendment to adjust the effective date to July 1, 2018.

The Assembly enacted Article 7 of 2018-H 7200, Substitute A, as amended, which increases the cap on fees for both funds to \$1,750. The Budget assumes \$6.9 million in new revenues associated with this change.

Revenue Enhancement – Claims Adjuster Fees. The Department provided revenue enhancements in lieu of spending reductions, excluding those proposed for the Office of the Health Insurance Commissioner, in order to achieve its budget target. The Department proposes a 13.3 percent increase on Claims Adjuster License fees, specifically raising the fee associated with mutual funds from \$150 to \$170 for the initial license and renewals. The rate was last changed in 2014, and there are currently 60,000 licensees. The fee is assessed biennially, and the increase is estimated to yield an additional \$600,000 each year. The Department reported that Rhode Island is one of eight states to license claims adjusters, though it is preferred by the auto body industry, and that most adjusters are from out-of-state.

The Governor's recommended budget includes Article 7 of 2018-H 7200 to increase the fee to \$250. The budget includes an effective date of January 1, 2019 and assumes an additional \$3.0 million in revenues from this change, which appears to assume a full year of collections. The Governor requested an amendment to adjust the effective date to July 1, 2018.

The Assembly concurred and enacted Article 7 of 2018-H 7200, Substitute A, as amended, to effectuate the change. The Budget assumes \$3.0 million in new revenues associated with this change.

Executive Office of Commerce

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Executive Office of Commerce	\$ 1,138,714	\$ 831,883	\$ 1,287,095	\$ 839,457
Housing & Community Development	23,282,944	26,016,249	20,105,942	20,122,981
Quasi-Public Appropriations	15,076,714	13,590,108	18,326,714	19,086,714
Commerce Programs	1,300,000	1,300,000	2,120,000	2,100,000
Economic Development Initiative Funds	17,800,000	17,800,000	20,975,000	14,300,000
Total	\$ 58,598,372	\$ 59,538,240	\$ 62,814,751	\$ 56,449,152
Expenditures by Category				
Salaries and Benefits	\$ 2,389,378	\$ 1,882,741	\$ 2,258,966	\$ 1,828,367
Contracted Services	-	140,000	-	-
Subtotal	\$ 2,389,378	\$ 2,022,741	\$ 2,258,966	\$ 1,828,367
Other State Operations	159,119	475,930	510,910	510,910
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	23,159,911	25,286,911	19,659,911	19,659,911
Capital	2,903,250	2,015,944	6,303,250	6,963,250
Capital Debt Service	-	-	-	-
Operating Transfers	29,986,714	29,736,714	34,081,714	27,486,714
Total	\$ 58,598,372	\$ 59,538,240	\$ 62,814,751	\$ 56,449,152
Sources of Funds				
General Revenue	\$ 33,057,819	\$ 32,403,550	\$ 37,314,974	\$ 30,289,375
Federal Aid	17,890,642	18,871,385	14,445,458	14,445,458
Restricted Receipts	4,749,911	6,249,911	4,754,319	4,754,319
Other	2,900,000	2,013,394	6,300,000	6,960,000
Total	\$ 58,598,372	\$ 59,538,240	\$ 62,814,751	\$ 56,449,152
FTE Authorization	17.0	17.0	17.0	16.0

Summary. The Executive Office of Commerce requested total expenditures of \$90.1 million for FY 2019, including \$67.9 million from general revenues, \$14.5 million from federal funds, \$4.8 million from restricted receipts, and \$2.9 million from other sources. The request is \$31.5 million more than the enacted budget, including \$34.9 million more from general revenues. The Office requested the authorized level of 17.0 full-time equivalent positions.

The Office also submitted a constrained request that totals \$36.4 million from general revenues, which is \$31.5 million less than the unconstrained request.

The Governor recommended \$62.8 million from all sources, \$4.2 million more than enacted, including \$4.3 million more from general revenues. Excluding the cost of centralized services transferred from the Department of Administration, the recommendation is \$3.9 million more than enacted from general revenues. As of the pay period ending January 20, there were 3.0 vacancies.

The Assembly provided \$6.4 million less than recommended, including \$7.0 million less from general revenues, primarily to reflect adjustments to economic development initiatives and programs offset by statewide cost-of-living adjustments. It authorized staffing of 16.0 full-time equivalent positions, 1.0 less than enacted and recommended.

Target Issues. The Budget Office provided the Office with a general revenue target of \$36.4 million. The amount includes current service adjustments of \$5.2 million and a 10.0 percent target reduction of \$1.8 million.

The constrained request submitted by the Office is \$18,708 below 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 \$26.1 million above the target, adjusted for centralized services expenses. The enacted budget is \$6.2 million below the target.*

FY 2019 Budget	Budget Office	Exec. Office of Commerce	Difference
FY 2018 Enacted	\$ 33,057,819	\$ 33,057,819	\$ -
Current Service Adjustments	5,212,603	5,212,603	-
New Initiatives	-	29,669,936	29,669,936
Change to FY 2018 Enacted	\$ 5,212,603	\$ 34,882,539	\$ 29,669,936
FY 2019 Current Service/Unconstrained Request	\$ 38,270,422	\$ 67,940,358	\$ 29,669,936
Target Reduction/Initiatives	(1,827,042)	(31,515,686)	(29,688,644)
FY 2019 Constrained Target/Request	\$ 36,443,380	\$ 36,424,672	\$ (18,708)
<i>Change to FY 2018 Enacted</i>	\$ 3,385,561	\$ 3,366,853	\$ (18,708)

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. The Governor’s revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. *For the Executive Office of Commerce, the FY 2018 revised budget identifies \$500,000 in savings from reductions to Commerce Corporation funding. The FY 2019 recommendation reflects continued savings of \$250,000, noted among the following items where appropriate. The Assembly concurred.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor’s budget added \$316,747 from general revenues to the Executive Office for its share of centralized services. This includes \$23,985 for human resources support, \$21,570 for information technology services and \$271,192 for facilities management. The Assembly concurred.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget did not include any funding*

set aside pending the outcome of contract negotiations. The Assembly provided \$49,683 from general revenues.

Economic Development Programs

I-195 Redevelopment Fund. The Office requested \$7.0 million from general revenues to replenish the fund for real estate development incentives for construction on former I-195 land. This is \$5.0 million more than enacted and would bring total appropriated resources to \$34.0 million. 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 did not approve any awards until its December 2016 Commission meeting, committing \$19.5 million of the fund to Wexford Science and Technology and CV Properties.

That deal was later amended to increase the award to \$19.8 million; the Commission also approved \$3.0 million to National Grid for infrastructure improvements including burying power lines, screening a nearby transformer yard, and adding walkways between the nearby South Station Landing, city walkways, and the new parks, and \$0.3 million for land improvements for a local seafood concession, event venue and public space to begin to attract attention and interest to the developing project land. The FY 2018 enacted budget included a new \$2.0 million appropriation to replenish the fund. During FY 2018 the Commission approved \$1.0 million to begin the Garrahy Courthouse parking garage, to be reimbursed by the Convention Center Authority, and \$0.4 million for art installations, streetscape improvements, and activity programming to bring additional foot traffic to the area. This request would bring the available funding to \$9.5 million.

The program sunsets on December 31, 2018; after which the Corporation may not enter into any agreement for funding or incentives after that date. No funding awarded under the program has been disbursed as of December 2017.

The Office's constrained budget adds only \$0.2 million, \$6.8 million less than the unconstrained. *The Governor recommended \$1.0 million from general revenues to bring total funding to \$28.0 million for this initiative. She also included legislation to eliminate the sunset provision and expanded the reporting requirements for the fund's use and impacts.*

The Assembly provided funding as recommended. It also enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Rebuild Rhode Island Tax Credit. The Office requested \$25.0 million for the Rebuild Rhode Island Tax Credit program, a real estate development tax credit for qualified construction. The enacted budget provided \$12.5 million in addition to the FY 2016 and FY 2017 appropriations of \$1.0 million and \$25.0 million respectively, 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 must report annually on credits assigned, credits taken, and the measurable impacts of the program. The program has a sunset date of December 31, 2018, after which no credits can

be assigned to any projects. As of December 2017, the Corporation has approved 28 awards for funding to 25 recipients, valued at \$89.9 million. Total appropriations are \$38.5 million to begin to repay those credits; if approved, the unconstrained request brings the total available funding to \$63.5 million.

The design of the program is to forward fund credits, thereby, not destabilizing revenues when those credits are redeemed; the program has existing tax credits obligated to awardees totaling \$89.9 million through FY 2022. No credits awarded under the program had been redeemed as of December 2017.

The Office's constrained budget reduces the request by \$5.0 million, adding only \$20.0 million in new funding, which would bring total available resources to \$58.5 million.

The Governor recommended \$15.5 million from general revenues, including \$3.0 million shifted from FY 2018, \$9.5 million less than requested to bring total funding to \$51.0 million to support future payments. The Governor also included Article 12 of 2018-H 7200 to expand eligibility of the Tax Credit program to exempt manufacturers or small business projects within one block of a Main Street Streetscape project award, or a local business district as defined by the Commerce Corporation, from minimum threshold requirements, and allows projects with a financing gap of less than \$0.5 million to take the entire credit in one year. She also proposed to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts, but does not alter the current law cap of \$150 million in total credits that can be awarded.

The Assembly did not concur with the Governor's proposed program changes, and provided \$11.2 million from general revenues. This is \$4.3 million less than recommended for FY 2019, but \$3.0 million was provided in FY 2018, consistent with the enacted budget, making the net difference \$1.3 million. It also enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Industry Cluster Grants. The Office requested \$0.4 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 \$1.3 million; no funding was included in the FY 2018 budget. The request is to provide additional resources to the program; it had awarded \$1.1 million as of December 2017, with approximately \$0.2 million of funding available for future awards.

These grants became available in November 2015. During FY 2016 the program awarded \$0.7 million of grant funds against \$0.8 million of matching resources to seven awardees, to capitalize \$1.5 million in project costs. For FY 2017, the program awarded \$0.3 million to three recipients with \$0.2 million of matching resources to capitalize \$0.6 million in project costs; two of the three recipients also received awards under this program in FY 2016. As of December 2017, \$0.9 million in award funding had been disbursed. The program is scheduled to sunset December 31, 2018.

The Office's constrained budget reduces the request by \$0.3 million, for \$0.1 million in new funding. *The Governor recommended \$0.1 million. She also included legislation to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts.*

The Assembly provided funding as recommended, and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

First Wave Closing Fund. The Office requested \$4.0 million from general revenues, \$2.2 million more than enacted, to increase available resources for the First Wave Closing Fund. The FY 2016, FY 2017, and FY 2018 budgets provided a total of \$15.3 million. The program has made awards to five companies totaling \$1.9 million; the Corporation has not awarded any funds since March 2017. The program has approximately \$13.4 million in reserves from which to draw awards. 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 in FY 2016 and four awards totaling \$1.7 million for FY 2017. Reported uses include office fit-out and occupancy, talent attraction, and student debt loan relief. No funding awarded under the program has been disbursed as of December 2017.

The Office's constrained budget reduces this request by \$3.0 million, to add only \$1.0 million in new funding. *The Governor recommended \$1.0 million. She also included legislation to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts.*

The Assembly did not concur with additional funding and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Innovation Initiative. The Office requested \$1.5 million from general revenues, \$0.5 million more than enacted, to support the innovation voucher and matching grant initiatives. The requested level of funding for FY 2019 is estimated to provide 25 new voucher awards, and an unspecified number of matching grants.

As enacted by the 2015 Assembly, the Innovation Initiative is for small businesses 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 2017 Assembly amended the legislation to allow awards made to small business manufacturers to facilitate internal research and development support.

The FY 2016 and FY 2017 enacted budgets provided total appropriations of \$2.5 million. The 2017 Assembly provided an additional \$1.0 million for FY 2018, with up to 50.0 percent of the FY 2018 appropriation to be reserved for small business manufacturers. The program has received total appropriations of \$3.5 million; the Corporation had awarded \$3.0 million as of December 2017. The Corporation reports that there is not a set distribution of funding between the two aspects of the Innovation Initiative. The funding is distributed between the programs based on demand and quality of the applications received.

The Corporation reported that the program has seen significant demand. Documents supplied in support of the request show 51 awards since the program's inception through December 2017, including 43 vouchers and 8 matching grants, with average awards of \$46,494 and \$119,250 respectively. The Corporation has awarded nearly 84 percent of its funding, with the voucher awards representing twice the level of support as the matching grant program, and five times as many awards. The initiative has disbursed \$1.1 million of the \$3.0 million awarded to date, with the majority of disbursed funds going to matching grant awards.

The Office's constrained request includes only the enacted level of \$1.0 million. The request anticipates five fewer vouchers and only one matching grant would be awarded at the constrained level of funding.

The Governor recommended \$1.0 million. She also included legislation to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts.

The Assembly provided funding as recommended and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

P-Tech Initiative. The Office requested \$0.4 million from general revenues for the High School, College, and Employer Partnerships program, 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. Current law requires that the Corporation annually report the amount of grants and matching funds awarded. The program sunsets on December 31, 2018.

The Commerce Corporation's Board of Directors approved funding to three districts, Newport, Providence, and Westerly in FY 2016; and extended funding to three more programs in FY 2017, North Providence, Woonsocket, and William M. Davies Jr. Career and Technical School. The Board also approved an allotment to the Community College of Rhode Island for administrative purposes related to its participation in the program. The awards total \$1.3 million of the \$2.1 million appropriated in the FY 2016 and FY 2017 enacted budgets. The Corporation reported that \$59,000 of the total supports Corporation staff salary and benefit expenses for program administration.

The requested funds represent funding for two new programs. After accounting for the Corporation's administrative allotment for FY 2018, the program is estimated to have \$0.7 million in available award funding which should be sufficient to establish two new programs as each program award has been for \$0.2 million. As of December 2017, the Corporation had disbursed \$0.5 million in program awards.

The Office's constrained request eliminates this funding.

The Governor recommended \$0.2 million, which is \$0.2 million less than requested, equivalent to one new program. She also included legislation to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts.

The Assembly provided funding as recommended, and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Main Street Streetscape Improvement Fund. The Office requested \$1.0 million from general revenues for streetscape improvements, which is \$0.5 million more than enacted. 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 2015 and 2016 Assemblies appropriated \$1.0 million in each year, and the 2017 Assembly added an additional \$0.5 million. No funding awarded under the program has been disbursed as of December 2017, but \$1.9 million has been awarded.

The Office's constrained budget excludes the additional \$0.5 million.

The Governor recommended the enacted level \$0.5 million. She also included legislation to eliminate the sunset provision and expand the reporting requirements for the fund's use and impacts.

The Assembly provided funding as recommended, and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Affordable Housing Fund. The Office's request included \$2.0 million in new funding from general revenues to reestablish the Ocean State Grad Grant, administered by Rhode Island Housing.

The requested funds are intended to recapitalize the down payment assistance program which provides support to college graduate first time home buyers to purchase a one to four unit home. The forgivable down payment assistance is limited to 3.5 percent of a home's purchase price, up to \$7,000 to graduates who maintain the property as their primary residence for at least five years. The request estimates that the \$2.0 million will provide support to 320 graduates.

The Grad Grant was established by Rhode Island Housing utilizing its own funding in September 2015 to leverage additional federal funds. Between September 8, 2015 and September 30, 2016, the program provided down payment assistance to 367 graduates, with graduates of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island representing approximately 52 percent of participants. The constrained request excludes this funding. *The Governor did not recommend this initiative. Additionally, she proposed that Rhode Island Housing transfer \$6.0 million, \$5.0 million more than enacted, to state general revenues by June 30, 2018, and another \$5.0 million by June 30, 2019.* **The Assembly did not fund this initiative, and did not concur with the Governor's proposed additional transfers from Rhode Island Housing.**

Municipal Technical Assistance Fund. The Office requested \$0.8 million to establish a new fund to provide financing to municipalities to hire consultants to recommend changes to zoning and code enforcement. The program would be administered by the Commerce Corporation. The Office reported that municipalities may be required to provide matching funds, and that it potentially has a partner which may provide additional funding.

The Governor's FY 2018 recommended budget included \$250,000 from general revenues to establish a similar program and included a sunset date of December 31, 2019. The Assembly did not concur.

The Office's constrained budget includes only \$0.2 million.

The Governor recommended funding of \$0.2 million and included Article 12 of 2018-H 7200 to establish the fund under the control of the Commerce Corporation, which does not include a sunset provision. **The Assembly did not concur.**

Land Assembly. The Office requested \$2.0 million from general revenues for a new program to develop an inventory of pad ready industrial sites capable of supporting large scale facilities to demonstrate the state's capacity for growth. The program would be administered by the Commerce Corporation.

The Office reports the funds are requested to support grants to perform due diligence activities on a meaningful number of sites, which may include site and topographical surveys or zoning reviews, infrastructure planning and assessment, and pre-permitting activities. The Office reported it anticipates awards of approximately \$75,000 per site, which would be equivalent to approximately 27 awards at the requested level of funding, but that actual awards would be based on the level of funding provided.

To be eligible for the program, property owners and municipalities would require sufficient property size and zoning to support major manufacturing development. The Office reported the funds would also be used for program infrastructure, including website development for marketing purposes. Awards will be

prioritized for sites that demonstrate feasibility for development based on criteria including proximity to highways, utilities and other infrastructure present at the site.

The constrained request excludes this funding.

*The Governor's budget includes \$0.2 million and language in Article 12 of 2018-H 7200 to establish a fund to be administered by the Commerce Corporation to develop an inventory of "vetted pad-ready sites" capable of supporting facilities for manufacturing, industrial, or distribution sites. The Corporation would be permitted to make grant awards to qualified consultants, engineers, or professionals to undertake due diligence activities at qualified sites. It also requires annual reporting. **The Assembly did not concur.***

Small Business Promotion. The Office requested \$2.4 million from general revenues to develop a new small business promotion program. The Corporation conducted a study involving six large employers which demonstrated that a significant amount of operating expenditures are directed to out-of-state suppliers, which could be redirected to Rhode Island-based suppliers.

The study concludes that if the six large employers shifted 2.0 percent of their expenditures to in-state suppliers, the resulting economic impact on Rhode Island would provide \$28.0 million in annual output and create 200 jobs. Likewise, if the 16 universities and hospitals in the state were to shift 2.5 percent of their expenditures to in-state suppliers, the anticipated impact is \$126.0 million and more than 700 jobs.

The program is intended to increase in-state procurement from large purchasers by creating a platform to connect large buyers with small suppliers and provide training to help small suppliers compete for business from large suppliers. The Corporation intends to hire a full-time staff to assist small suppliers with sourcing opportunities from large buyers. The Office reported this is intended to become a permanent program with an anticipated launch in six months, with expansion of up to 5.0 full-time equivalent positions; however, it also noted that it will select a partner through a competitive bid process to house the staff. Of the \$2.4 million, the Office reported up to \$0.6 million would be used for administration based on the level of staffing.

The Office's constrained request includes only \$650,000 to support this initiative.

*The Governor recommended \$475,000 from general revenues, \$1.9 million less than requested to create a program, dubbed Supply RI, that connects small suppliers with the state's largest commercial purchasers by developing infrastructure to facilitate engagements. This level of funding anticipates using existing Commerce Corporation staff and resources. **The Assembly provided \$300,000 for this initiative.***

Statewide Tech Transfer. The Office requested \$50,000 from general revenues for a new initiative to increase patent issuance rates through, but not limited to, educational programs, competitive awards, and staff support. The Office reported that the program, to be administered by the Commerce Corporation, would focus on coordinating university and medical technology transfer efforts with the goal of creation of a Technology Transfer office. The Office proposed a substantially similar program in its FY 2018 budget request, which was not included in the Governor's FY 2018 recommended budget.

The Office's constrained request excludes this funding. *The Governor did not recommend this initiative. **The Assembly concurred.***

Manufacturing Investment Tax Credit. The Office requested \$0.8 million from general revenues for a new program to establish a refundable tax credit for manufacturers which are not organized as a C-corporation. 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 for firms not organized as C-corporations. The new program is intended to be accessible to and create incentives for manufacturers using different

corporate structures. 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 and FY 2018 recommended budgets included similar initiatives, which were not enacted.

The request is intended to create an incentive to increase investment in infrastructure and create new jobs. The program seeks to establish a refundable tax credit equal to the lesser of the company's local property tax burden or \$200,000.

The Office's constrained request includes \$0.2 million, \$0.6 million less than the unconstrained request.

*The Governor's budget included \$0.3 million and included Article 12 of 2018-H 7200 to establish a refundable tax credit, up to \$0.1 million against state personal income or business taxes, for investments in tangible property, construction of facilities, and employee training for manufacturing in targeted industries, as defined by the Rebuild Rhode Island Tax Credit. The legislation does not include a sunset provision, but does include annual reporting requirements. **The Assembly did not concur.***

Small Business Assistance Program. The 2015 Assembly authorized a Small Business Assistance Program from \$5.5 million made available from debt restructuring to establish a fund to support businesses with less than 200 employees that are having difficulties obtaining financing from traditional lending organizations. The act required 10.0 percent of the funding to be set-aside for a microloan program administered by a third party with expertise in microloans. The legislation also included a \$750,000 cap for any one business, a sunset of December 31, 2018 and annual reporting requirements.

The Governor's budget included \$0.5 million from general revenues to recapitalize the program. She also included legislation to allow the amount reserved for microloans to range between 10.0 percent and 25.0 percent, eliminate the sunset provision, and expand the reporting requirements for the fund's use and impacts.

The Assembly concurred with the proposed change to the reserve funding range, but did not provide any new funding. It also enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Other Commerce Programs

Wavemaker Fellowships. The Office requested \$2.4 million from general revenues, \$1.6 million more than enacted, 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 Office reported that the request reflects a second year of funding for a third cohort and full funding of a fourth cohort.

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 program allows for up to four years of reimbursements to awardees. The Corporation has awarded two, two-year cohorts of 208 and 219 fellowships in FY 2016 and FY 2017 respectively; with estimated redemptions of \$0.8 million, \$1.7 million, and \$0.9 million for FY 2018, FY 2019 and FY 2020, to

correspond to the payouts consistent with applicable tax years. The program has been provided \$4.6 million in total funding across the FY 2016, FY 2017 and FY 2018 enacted budgets, and has awarded \$3.3 million to be paid out over four years to two cohorts of fellows, and the Corporation allocates staffing costs for a program director. Accounting for the staffing costs, the program should have \$0.9 million in uncommitted funding from which to make awards to a third cohort beginning in FY 2020; more funds may be available if the current awards pay out at less than their maximum awards.

The first cohort will be eligible to redeem its credits in 2018 and 2019, and the second cohort will become eligible to redeem its credits in FY 2019 and FY 2020. The program has a sunset date of December 31, 2018, after which no credits can be awarded.

The constrained budget reduces the request to \$0.8 million, \$1.6 million less than the unconstrained request, which represents full funding for a third cohort. *The Governor recommended total funding of \$1.6 million from general revenues, \$0.8 million less than requested. This level of funding provides a second year of funding for a third cohort, and the first year of funding for a fourth cohort. She also included legislation to eliminate the sunset requirement and expand the reporting requirements for the fund's use and impacts.*

The Assembly provided funding as recommended and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and extends the sunset provision until June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Air Service Development Fund. The Office requested \$1.0 million from general revenues, \$0.5 million more than enacted, to provide direct incentives, revenue guarantees, and/or other support for the Air Service Development Fund. This support is designed to incentivize additional direct air service to and from major metropolitan areas via T.F. Green Airport. The FY 2017 and FY 2018 enacted budgets included appropriations of \$2.0 million to support the fund.

The Commerce Corporation Board of Directors approved the membership of the Air Service Development Council in October 2016; in September of 2017 the Council approved a memorandum of agreement with the Rhode Island Airport Corporation to administer and disburse the fund to carriers, and the Rhode Island Airport Corporation provided an additional \$1.4 million from its own resources. The Council approved, and the Rhode Island Airport Corporation agreed to, marketing reimbursement expenses to four carriers to provide 16 new routes. Reimbursements are conditional, based on generating at least an equal economic impact of the amount requested by the carrier.

The Office's constrained budget excludes this funding. *The Governor recommended \$0.5 million in new funds for the program.*

The Assembly provided funding as recommended and enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and included a sunset provision of June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Tax Stabilization Agreement. The Office requested \$20,000 from general revenues for the Tax Stabilization Incentive program. This program would reimburse municipalities up to 10.0 percent of projected lost revenue associated with tax stabilization agreements with developers that have committed at least \$10.0 million in capital investment and create at least 50 full-time jobs. The requested funding is intended to support a project at 100 Sabin Street in Providence, at the site of the former Fogarty Building. The Office's FY 2018 request included \$30,000 for tax stabilization agreement funding at this site; neither the Governor nor the Assembly included an appropriation.

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, and 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 the Rebuild Rhode Island tax credit.

The Governor recommended funding as requested. She also included legislation to eliminate the sunset requirement and expand the reporting requirements for the fund's use and impacts.

The Assembly did not concur with the recommended funding but enacted Article 12 of 2018-H 7200, Substitute A, as amended, which requires new quarterly financial reporting, and included a sunset provision of June 30, 2020, after the issuance of the state's next long-term economic development vision and policy, as required by statute.

Quasi-Public Appropriations

Commerce Corporation Operations. The Office requested \$8.0 million, which is \$0.5 million more than enacted for the Commerce Corporation's operations. The additional funding is intended to support increased staffing requirements, as well as increased tax and legal consultant costs to reflect the complexity of transactions undertaken by the Corporation.

The Corporation's budget includes base funding of \$4.9 million to support salary and benefit costs for 63.0 full-time equivalent positions and includes performance and promotional increases, but does not include across the board cost-of-living adjustment for current employees as in previous years. The Corporation's budget also includes \$3.6 million of operational expenses for its Business Development, Client Services, Financial Services, Investments, and Marketing and Communications activities.

The Office's constrained request excludes this funding.

The Governor recommended the enacted level of \$7.5 million. Her revised budget reduced funding by \$250,000 as a means to reach the undistributed savings in the enacted budget. That is not continued for FY 2019. The Assembly concurred.

I-195 Redevelopment District Commission. The Office's request includes \$1.8 million, which is \$1.0 million more than enacted from general revenues for operational needs of the I-195 Redevelopment District Commission. Subsequent to the budget submission, the Office reported that the request erroneously overstates the requested funding. Adjusted for that, the unconstrained request is for \$1.3 million, \$0.5 million more than enacted. 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 necessary to become self-sufficient. As of December 2017, the Commission had not developed a plan to do so.

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, an operations manager and a senior project manager position. The Commission's FY 2017 and FY 2018 request included funding for a new senior project manager position. The Commission reported its staffing was inadequate to meet the workload demands; increasing the staff size will expedite closing new developments. The 2016 and 2017 Assemblies did not include funding for the position. The position was filled during the first half of 2017, prior to passage of the budget.

The intended request includes \$0.6 million for salaries and benefits, \$0.2 million more than enacted, including full funding for a second senior project manager, cost allocation for an administrative assistant and an allowance for part-time interns. Also included are \$0.4 million, \$0.2 million more than enacted, for contracted services including civil engineering, planning and design, legal services and land maintenance; \$133,000, \$88,500 more than enacted for office operations; and \$50,820, \$419 more than enacted for insurance expenditures. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

Polaris Manufacturing Extension Partnership. The Office requested \$0.6 million, \$350,000 more than enacted, from general revenues for the Polaris Manufacturing Extension Partnership. Polaris is a Providence-based nonprofit organization that provides support to manufacturers within the state through training and consultation for sustainable growth, innovative technology strategies and cost efficient operations, and talent development.

Polaris also supports the economic development initiatives of the Office and the Commerce Corporation by gathering industry-specific information to inform policy initiatives. The Office reports it anticipates additional state support will increase the number of manufacturers served, and allow Polaris to leverage additional federal funds through the National Institute for Standards and Technology's National Manufacturing Extension Partnership program.

The Office's constrained request includes the enacted amount of \$250,000. *The Governor recommended total funding of \$350,000.* **The Assembly concurred.**

Small Business Innovation Research. The Office requested \$1.5 million from general revenues to support the Innovate RI Small Business Fund and the Bioscience and Engineering Internship Programs, \$0.5 million more than enacted. 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 for a phase I award, and a 10.0 percent match up to \$0.1 million for Phase II awards.

The Office's constrained request includes only \$0.5 million. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

Urban Ventures. The Office's request did not include \$140,000 from general revenues contained in the enacted budget intended to support an Urban Business Incubator, operated by Urban Ventures, a 501(c)(3) entity.

The incubator is designed to assist and support entrepreneurial activities by minority and low or moderate income persons, and to assist urban communities and neighborhoods where there is insufficient economic and business investment to revitalize their local economies. Rhode Island General Law, Section 42-64-13.1 provides for the establishment of an urban enterprise equity fund and an annual appropriation to the urban business incubator; the Office has not addressed how it intends to satisfy this requirement. *The Governor recommended the enacted level of funding; it appears the program will continue as enacted.* **The Assembly concurred.**

Other Pass-Through Initiatives. The Office requested \$3.5 million from general revenues, \$0.9 million more than enacted, for several pass-through initiatives that are part of the Commerce Corporation's budget but are not part of its core operations. Subsequent to the budget submission, the Corporation noted that

\$0.9 million had been erroneously added to its unconstrained request; therefore, the Office's unconstrained request is the enacted amount of \$2.6 million.

The Office's constrained request reduces funding by \$1.7 million from the enacted amount; the proposals to achieve the reductions are noted among the following items, where appropriate.

*The Governor recommended \$250,000 less than enacted for these initiatives as noted among the following items. **The Assembly provided \$0.1 million more than recommended, as noted below.***

Science and Technology Advisory Council. The Office requested \$2.1 million, \$0.9 million more than enacted, for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. It later reported the requested increase was in error. 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. Funding provides the state match to federal grant awards 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 National Science Foundation requires that the state provide \$0.8 million of matching funds per year, with excess general revenues appropriated used to pay for staff and other administrative costs.

The Office's constrained request is \$0.9 million, \$250,000 less than the enacted amount.

*The Governor recommended funding consistent with the constrained request to reflect actual federal matching funds required. Her revised budget reduces funding by \$250,000 as a means to reach the undistributed savings in the enacted budget. Those savings are continued for FY 2019; the recommendation assumes that sufficient resources exist for administrative purposes from other programs which the Council oversees. **The Assembly concurred.***

Airport Impact Aid. The Office requested 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.

The Assembly annually authorizes that 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 year 2018. 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 excludes this funding. *The Governor recommended the enacted level of funding. **The Assembly concurred.***

Chafee Center. The Office requested the enacted amount of \$376,200 from general revenues for the Chafee Center at Bryant University. 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. 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 provided documents to support that level of return.

The constrained request excludes this funding. *The Governor recommended the enacted level of funding.* **The Assembly provided \$476,200, \$0.1 million more than recommended.**

Executive Office

Cost Allocation to the Governor's Office. The enacted budget included a cost allocation to the Governor's Office of \$98,617 for FY 2018; the FY 2019 request excludes that funding. *The Governor recommended funding as requested; however, it should be noted the Governor's Office indicated it is assuming a cost allocation of \$61,282 for FY 2019 to the Executive Office of Commerce.* **The Assembly did not concur.**

Other Staffing. The Office requested \$1.2 million, \$176,855 more than enacted from general revenues, to fully fund its 5.3 full-time equivalent positions. The enacted budget includes \$0.2 million in turnover savings equivalent to the Deputy Secretary position.

The Office's revised request includes turnover savings to reflect savings related to two funded vacancies; the Office has filled one of those positions. *The Governor recommended \$181,415 more than enacted to fully fund the authorized level of 5.3 full-time equivalent positions, including statewide benefit adjustments. The recommendation restores \$0.2 million for full funding of the Deputy Secretary position and adds funding for a second Deputy Chief of Staff. It should be noted that the Executive Office's enumerated unclassified positions under current law are a Secretary, Deputy Secretary, Chief of Staff, Communications Director, Legislative Director, and Policy Director.*

The Assembly provided \$0.4 million less than recommended to reflect the elimination of one vacancy and maintaining another vacancy for a full year, offset by statewide cost-of-living adjustments.

Other Operations. The Office requested \$130,852 from general revenues for its operational expenses. This is \$20,028 more than enacted. This includes a full year of rental expenses, approximately \$9,000 more than the revised request, which also added approximately \$9,000 for items to reflect FY 2017 actuals. The request includes \$20,978 for office expenses, \$15,500 for computers maintenance and equipment, \$7,750 for travel, \$4,808 for utilities, and \$10,500 for all other expenses. It should be noted that the request includes approximately \$18,000 for items including travel and advertising, for which there were no FY 2017 expenditures. *The Governor recommended funding as requested.* **The Assembly concurred.**

Housing and Community Development

Housing and Community Development Salaries and Benefits. The Office requested \$1.2 million for salaries and benefits for 11.8 full-time equivalent positions in the Division of Housing and Community Development. This is \$0.2 million less than enacted from all funds, including \$10,213 less from general revenues, and \$0.2 million less from federal sources, and includes updated Budget Office planning values. The request reflects turnover savings equivalent to two positions, and a shift of time spent between general revenue funded activities and federally funded emergency shelter grant funded activities. *The Governor recommended \$1.1 million from all sources of funds, including \$7,418 less than enacted from general revenues and \$0.2 million less than enacted from federal funds consistent with the Office's current level of staffing and statewide benefit adjustments.* **The Assembly provided \$17,039 more than recommended from general revenues to reflect statewide cost-of-living adjustments.**

Housing and Community Development Operations. The Office requested \$9.2 million from all sources for other Housing and Community Development program expenses. This includes \$9.2 million from federal community development block grants, which is \$0.5 million more than enacted primarily to reflect new award amounts. 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 \$19,964

for other operating expenses, including \$15,556 from general revenues and \$4,408 more from restricted receipts for computers. *The Governor recommended funding as requested.* **The Assembly concurred.**

Disaster Recovery Grants. The Office requested \$4.7 million, \$3.7 million less than enacted from federal Community Development Block Grant Disaster Recovery funds. The request reflects available funding as the resources from the grant are exhausted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Lead Abatement and Housing Rental Subsidies. The Office requested 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.

Based on the November 2017 Revenue Estimating Conference estimate, available resources are anticipated to be \$4.5 million for the current year and \$4.8 million in FY 2019. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

Capital Projects. The Office requested the enacted amount from Rhode Island Capital Plan funds, including \$2.6 million for the Quonset Business Park improvements to Pier 2 and \$0.3 million for the I-195 Commission. The request is \$0.6 million more than enacted for the Quonset Business Park improvements, and \$0.6 million less for the I-195 Commission than requested in the Office's capital request.

The Governor recommended \$6.3 million from Rhode Island Capital Plan funds, \$3.4 million more than enacted to correct the request for the Quonset Business Park, and included \$4.0 million for new Quonset Infrastructure improvements. **Based on projected expenditures, the Assembly shifted \$1.7 million from FY 2018 to later years including \$0.7 million to FY 2019 and \$0.5 million each to FY 2020 and FY 2021 respectively. A detailed analysis of the project is included in the Capital Budget section of this publication.**

Department of Labor and Training

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 2,451,919	\$ 1,487,741	\$ 1,647,181	\$ 2,149,403
Workforce Development Services	36,033,127	51,920,800	50,643,945	55,264,995
Workforce Regulation and Safety	2,811,148	2,898,178	3,608,904	3,110,964
Income Support	379,512,413	382,065,082	388,470,590	388,318,417
Injured Workers Services	8,701,434	7,720,036	9,329,210	8,956,311
Labor Relations Board	397,335	415,807	404,420	414,147
Total	\$ 429,907,376	\$ 446,507,644	\$ 454,104,250	\$ 458,214,237
Expenditures by Category				
Salaries and Benefits	\$ 40,797,731	\$ 40,341,671	\$ 43,311,529	\$ 42,375,744
Contracted Services	4,887,318	2,667,418	4,920,844	4,920,844
Subtotal	\$ 45,685,049	\$ 43,009,089	\$ 48,232,373	\$ 47,296,588
Other State Operations	4,289,565	13,899,026	12,963,422	12,809,194
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	368,956,438	382,415,418	385,422,882	390,122,882
Capital	1,691,286	717,111	876,312	1,376,312
Capital Debt Service	-	-	-	-
Operating Transfers	9,285,038	6,467,000	6,609,261	6,609,261
Total	\$ 429,907,376	\$ 446,507,644	\$ 454,104,250	\$ 458,214,237
Sources of Funds				
General Revenue	\$ 8,094,063	\$ 8,993,067	\$ 9,690,749	\$ 14,464,955
Federal Aid	36,930,858	50,562,264	40,908,051	40,753,823
Restricted Receipts	24,323,914	30,533,826	39,985,082	38,975,091
Other	360,558,541	356,418,487	363,520,368	364,020,368
Total	\$ 429,907,376	\$ 446,507,644	\$ 454,104,250	\$ 458,214,237
FTE Authorization	428.7	428.7	428.7	409.7

Summary. The Department requested \$448.2 million from all fund sources, which is \$18.3 million more than enacted, including \$1.3 million more from general revenues, \$1.8 million less from federal funds, \$15.1 million more from restricted receipts, and \$3.8 million more from other funds. The request includes the enacted level of 428.7 full-time equivalent positions.

The Governor recommended \$24.2 million more than enacted from all sources, including \$1.6 million more from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$17.6 million more than enacted, including \$0.7 million more from general revenues. The recommendation is for the enacted level of 428.7 full-time equivalent positions. As of the pay period ending February 3, the Department had 24.9 positions vacant. The Assembly provided \$4.1 million more than recommended from all funds, which includes \$4.8 million more from general revenues. This includes \$0.1 million for the statewide cost-of-living adjustment. The Assembly also eliminated 19.0 vacant full-time equivalent positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$7.7 million. The amount includes current service adjustments of \$32,942 and a 10.0 percent target reduction of \$0.4 million. The Department did not submit a constrained budget request. *The Governor's recommendation is \$1.1 million more than the target, excluding centralized services.* **The enacted budget is \$5.9 million above the target.**

FY 2019 Budget	Budget Office		DLT	Difference		
FY 2018 Enacted	\$	8,094,063	\$	8,094,063	\$	-
Current Service Adjustments		32,942		32,942		-
New Initiatives		-		1,220,850		1,220,850
Change to FY 2018 Enacted	\$	32,942	\$	1,253,792	\$	1,220,850
FY 2019 Current Service/ Unconstrained Request	\$	8,127,005	\$	9,347,855	\$	1,220,850
Target Reduction/Initiatives		(408,026)		-		408,026
FY 2019 Constrained Target/Request	\$	7,718,979	\$	9,347,855	\$	1,628,876
Change to FY 2018 Enacted	\$	(375,084)	\$	1,253,792	\$	1,628,876

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$74,206 from general revenues for FY 2019.**

Workplace Fraud Unit Staff Enhancement (9.0 FTE). The Department requested \$0.9 million, \$0.6 million from general revenues and \$0.4 million from workers' compensation restricted receipts, and authorization for 9.0 full-time equivalent positions to enhance its workplace fraud unit within its current authorization. Four of the positions would be transferred from workers' compensation. The request includes 6.0 labor standards examiners, 2.0 prevailing wage investigators, and 1.0 legal counsel and reduces 9.0 currently unfunded positions throughout the Department. Currently, the Department employs four other labor standards examiners, two prevailing wage examiners, and one hearing officer. The Department noted that the new positions are in response to the Administration's prioritization of enforcement of employee classification regulations, specifically the misclassification of employees as independent contractors. It also contended that these positions should generate enough revenue through penalties assessed to be self-supporting.

The Governor recommended \$0.9 million from restricted receipts for the new positions, including the requested \$0.4 million as well as \$0.6 million from a new restricted receipt account. The Governor included Article 11 of 2018-H 7200 to establish that account. Revenues generated by the unit will be deposited into the account. Any remaining revenues after expenses for the task force and fraud unit will be paid into the state's General Fund annually. The recommendation reflects that staff will only be hired if collections are high enough to cover the costs. **The Assembly did not concur.**

Work Immersion/Non-Trade Apprenticeship Program. Consistent with the enacted budget, the Department requested \$0.7 million from general revenues for the work immersion/non-trade apprenticeship program. The program provides post-secondary school students, recent college graduates, and unemployed adults with meaningful work experience, and assists employers by training individuals for potential employment. Through the program, the Department reimburses employers a portion of the cost of providing work experience to eligible individuals.

The Governor recommended funding as requested and Article 11 of 2018-H 7200 which increases the flexibility of the work immersion/non-trade apprenticeship program by allowing the Governor's Workforce Board to determine how to best reimburse employers, removing the tiered reimbursement structure,

removing the statutory cap on the allowable reimbursement period, and opening the program to students currently enrolled in high school. **The Assembly concurred.**

Opportunities Industrialization Center. The Opportunities Industrialization Center is a nonprofit organization which provides training, employment, minority business enterprise, and urban policy development services to underserved urban populations through collaboration with public and private sectors as well as community based organizations. *The Governor's budget did not include funding for this organization.* **The Assembly provided \$0.1 million from general revenues to support the program.**

Supportive Employment. Through Executive Order 15-14, signed in August 2015, the Governor established the Overdose Prevention and Intervention Task Force. In July 2017, she signed Executive Order 17-07, which enhances the existing strategies of the Task Force's Action Plan in the areas of prevention, treatment, rescue and recovery. The Department does not currently have programs specific to this issue. *The Governor's budget includes a number of initiatives to address the current public health crisis of opioid addiction. The initiatives include the creation of a program within the Department for those in recovery which pairs job training through a pre-apprenticeship model with substance use disorder counseling. The supportive employment program would be under the purview of the Governor's Workforce Board. The Governor recommended \$400,000 from general revenues for this program.* **The Assembly did not concur.**

Real Jobs Rhode Island. The Department requested \$0.2 million, or \$2.5 million less than enacted, from federal funds for the Real Jobs Rhode Island program to reflect all available remaining funding from the sector partnership emergency grant funds and the America's Promise grant. The additional funds will be used to continue supporting partnerships. The Department noted that grants are budgeted based on available funding to allow for the flexibility to spend on various opportunities as they are presented. The Real Jobs Rhode Island program aims to develop job partnerships connecting industry employers and key stakeholders to build alliances and address business workforce demands. The Department indicated that it will also be advocating for additional funding for the program in both FY 2019 and beyond. The specifics of that were not included in the budget request nor provided to staff. *The Governor recommended funding as requested and added \$450,000 from general revenues. The additional general revenues are a similar amount to the new revenues that are available from the repeal of the Job Training Tax Credit proposed in Article 11.* **The Assembly concurred and provided an additional \$5.0 million from general revenues for the program.**

Governor's Workforce Board – Grants and Operations. The Department requested \$24.6 million from restricted receipts to continue supporting workforce development grant awards and employment and training initiatives through the Governor's Workforce Board. The request is \$14.6 million more than enacted. The Board receives funding from the Job Development Fund, supported by a portion of the 0.21 percent assessment of the employer's payroll tax. This generated a total of \$16.7 million in FY 2017. After accounting for administrative and operating expenses, the remaining funding is distributed for workforce development activities, including adult education and requested grant expenditures. The request appears to overstate available resources for this program. The Department indicated that it would request legislation to generate additional funding for the program, the specifics of which were not included in the budget request nor provided to staff.

The Governor recommended funding as requested and proposed Article 11 of 2018-H 7200, which would amend the Job Development Fund to allow a greater portion to support employment security and employment services. Additionally, the article changes the job development assessment to effectively allow an amount not greater than the Employment Security Trust Fund's prior year investment earnings to be redirected to the Job Development Fund. Supporting documents are inconsistent with the fiscal impact of the proposed changes but suggest an additional \$6.0 million to \$7.0 million will be generated. **The Assembly amended Article 11 to limit it to a one-time occurrence for tax year 2019 and allow no more**

than 75.0 percent of the investment earnings to be redirected to the fund. This is expected to generate \$5.5 million for program expenses.

Dislocated Workers. The Department's request excludes \$212,410 from federal funds included in the enacted budget to reflect the June 2017 expiration of a grant awarded by the United States Department of Labor's Employment Training Administration. Funding was used to train laid-off workers for available jobs. The funding was also used to provide client services, such as job counseling, apprenticeships, and direct job placement that help connect laid-off workers, including the long-term unemployed, with jobs. The Department's revised FY 2018 request reflects remaining available funding from the grant, which completely phases out in FY 2019. *The Governor excluded the funding as requested.* **The Assembly concurred.**

Trade Readjustment Act. The Department requested \$1.3 million from federal funds for trade readjustment assistance programs. The request is essentially consistent with the FY 2018 enacted budget. 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, 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 recommended funding as requested.* **The Assembly concurred.**

Employ Rhode Island. The Department requested \$0.1 million from other funds for Employ Rhode Island, a free online recruiting resource for businesses and organizations. The request reflects estimated remaining funding from the Social Security Administration, received as a result of successful job placements and retention milestones for participants in the Disability Employment Initiative. The additional funding will allow the Department to continue development of a document manager module, which will allow the Department to switch to a paperless application process in the NetWORKri Offices. The Department noted that it needs the document manager to ensure adequate security for personal information and to maintain files organized for audit reviews. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Workforce Development Grants. The Department requested \$9.5 million from federal funds for all other workforce development grants, an increase of \$0.6 million from the enacted. These increases reflect the Department's projections of available funding for FY 2019. This includes \$1.1 million more from the data quality initiative grant and \$0.6 million less for Workforce Innovation and Opportunity Act programs to support employment initiatives oriented towards youth, adults and dislocated workers. *The Governor recommended funding as requested.* **The Assembly concurred.**

Unemployment Insurance Benefits. The Department requested \$159.2 million from other funds, or \$2.0 million less than enacted for unemployment insurance benefits. Consistent with the revised request, this includes \$0.5 million more for anticipated benefit payments to federal and veteran employees and \$2.5 million less for benefit payments to other states. Unemployment insurance taxes are paid by employers into the Employment Security Fund to finance benefits and provide temporary income support to workers who have lost employment through no fault of their own. There have been both fewer individuals collecting benefits overall and lower total benefit payments per individual, primarily from individuals finding employment before exhausting their 26 weeks of benefits. *The Governor recommended funding as requested.* **The Assembly concurred.**

Unemployment Administration. The Department requested \$11.5 million from federal funds, or \$0.1 million more than enacted for the administration of the unemployment insurance program, including

salaries and benefits for the program's 156.3 full-time equivalent positions. The Department indicated that it has implemented a staff work-sharing plan to create savings in unemployment insurance and cross-train staff in temporary disability insurance so they can be shifted as workloads dictate. The enacted budget contained funding for approximately 140 positions, with Tardy and Interest receipt support. The requested amount funds 118.3 full-time equivalent positions. Supplemental funding from Tardy and Interest funds discussed in the next item accounts for the remaining positions. *The Governor recommended \$34,663 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Tardy and Interest Fund. The Department requested \$2.0 million, or \$0.5 million less than enacted, from the Tardy and Interest Fund restricted receipt accounts for support of the unemployment system. The enacted budget assumes funding for approximately 27 positions with these funds. The FY 2019 request reflects funding for approximately 21 positions. Tardy and Interest funds are used to offset general revenue expenditures in the Department, though the funds can be used to support any departmental function. Traditionally, these funds have been used to offset costs in the Workforce Regulation and Safety division. However, the Department has requested to fully fund that division in its FY 2019 request and indicated that the Tardy and Interest funds would be used only to support unemployment. *The Governor recommended \$4,859 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Unemployment Information Technology System. The Department requested \$1.7 million or \$0.4 million less than enacted from federal funds to finalize the replacement of the unemployment benefit and tax system which should be finished in FY 2019. The Department indicated that it received an extension to expend these funds through September of 2018. The benefit system is currently scheduled to go live in March 2019 and the tax system will follow shortly after that. Rhode Island joined a consortium with Maine and Mississippi to develop new automated unemployment insurance tax and benefit systems, based on Mississippi's system. 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 Governor recommended funding as requested.* **The Assembly concurred.**

Temporary Disability Insurance Benefits. The Department requested \$178.0 million or \$5.0 million more than enacted from the Temporary Disability Insurance Fund for benefit payments that protect eligible workers against wage loss resulting from a non-work related illness or injury. Requested benefits are \$7.3 million more than FY 2017 expenditures and \$3.0 million more than the FY 2018 revised request. The Department projected higher benefit levels because benefits have been steadily increasing each year since a low of \$156.8 million during the great recession. *The Governor recommended funding as requested.* **The Assembly concurred.**

Temporary Disability Insurance Administration. The Department requested \$10.2 million or \$1.2 million more than enacted from the Temporary Disability Insurance Fund for the administration of that program, including salaries and benefits for 65.9 full-time equivalent positions. Similar to the Department's revised request, the request includes \$0.9 million more in staffing costs including current service adjustments, equivalent to 10.8 positions. The Department indicated that it has implemented a staff work-sharing plan to create necessary savings in unemployment insurance and cross-train staff in temporary disability insurance so they can be shifted as workloads dictate. *The Governor recommended \$22,801 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Temporary Disability Insurance Caregiver Benefits. The Department requested \$14.0 million or \$0.5 million less than enacted for temporary caregiver insurance benefits. The FY 2019 request is \$2.5 million more than FY 2017 expenditures and \$1.5 million more than the revised FY 2018 request. 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 recommended funding as requested.* **The Assembly concurred.**

Temporary Disability Insurance Caregiver Administration. The Department requested \$1.2 million or \$0.1 million more than enacted from the Temporary Disability Insurance Fund for the administration of the temporary caregiver program. The enacted budget contains full funding for the program's 7.9 positions. The request is equivalent to hiring 2.0 full-time equivalent positions. The Department indicated that it has implemented a staff work-sharing plan to create necessary savings in unemployment insurance and cross-train staff in temporary disability insurance so they can be shifted as workloads dictate. *The Governor recommended \$2,622 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Workers' Compensation. The Department requested \$9.2 million or \$0.3 million less than enacted from restricted receipts for the workers' compensation program. This includes \$0.4 million less to represent 4.0 full-time equivalent positions being transferred to the newly requested fraud unit. The decrease is offset by \$0.2 million more for medical services provided to claimants. These expenditures can fluctuate significantly from year to year. *The Governor recommended \$17,096 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Police and Fire Relief Funds. The Department requested \$3.8 million or \$112,843 less than enacted from general revenues 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 \$63,300 less for the Firemen's Relief Fund and \$49,543 less for the Policemen's Relief Fund. By benefit type, it is \$74,983 less for pension payments and \$37,322 less for scholarships. *The Governor recommended funding as requested.* **The Assembly concurred.**

Cost Allocation for Governor's Office Position. The Office of the Governor reported that it provides staff support to agencies for various initiatives, such as Real Jobs RI, RhodeWorks, and RI Promise. It proposed allocating the cost of these staff to the agencies to reflect time spent on these initiatives. The Office's request includes a proposal to allocate personnel expenditures for positions within the Governor's Office to other state agencies. *The Governor's budget includes \$0.1 million from restricted receipts for half the cost of a policy director in the budget of the Department.* **The Assembly did not concur and removed the funding.**

Other Salaries and Benefits. The Department requested \$18.2 million from all sources or \$2.3 million more than enacted for all other salaries and benefits for the remaining 149.1 full-time equivalent authorized positions. This is 5.0 positions fewer than enacted to offset the requested new workplace fraud unit and misclassification task force positions. The request includes \$0.9 million more from general revenues, \$0.5 million more from federal funds, \$0.9 million more from restricted receipts, and \$35,457 less from other funds. The enacted budget contains funding equivalent to approximately 143 full-time equivalent positions, including positions supported outside of unemployment with Tardy and Interest funds; excluding those, the enacted budget contains funding for approximately 139 positions. The request includes current service adjustments consistent with Budget Office planning values, restores turnover equivalent to approximately 12 positions, consistent with the revised request, and makes changes to cost allocations. As of the pay period ending December 23, 2017, the Department had 21.9 vacancies.

The Governor recommended \$0.8 million less than requested, including \$0.8 million less from general revenues offset by a \$49,027 increase to all other sources. The recommendation reflects statewide benefit adjustments and maintains turnover savings equivalent to 10.0 positions in the Department. **The Assembly included the funding for the aforementioned cost-of-living adjustment, and eliminated 19.0 vacant positions, which represents approximately half of the Department's vacancies as of May 2018,**

including the 9.0 positions that would have been repurposed for the misclassification task force. The Assembly concurred with the remainder of the recommendation.

Capital Projects. Consistent with the capital budget request, the Department requested \$1.7 million from Rhode Island Capital Plan funds, or \$22,131 more than enacted for the Center General Asset Protection project. The project is comprised of many different asset protection projects for the Center General Complex in Cranston and the Arrigan Rehabilitation Center in Providence with an expected completion in 2022. *The Governor recommended \$0.9 million less than requested.*

The Governor subsequently requested an amendment to increase funding by \$0.8 million to reflect unspent funds from FY 2018, updated timelines for projects, as well as the inclusion of new projects such as elevator repairs. The Assembly concurred with the amendment for FY 2018 and shifted \$0.5 million to FY 2019 based on updated spending plans. The projects are described in detail in the Capital Budget section of this publication.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$6.6 million from all sources including \$0.9 million from general revenues for the Department's share of centralized services. This includes \$2.7 million for facilities management, of which \$0.3 million is from general revenues, \$0.6 million for human resources services, of which \$0.1 million is from general revenues, and \$3.2 million for information technology services, of which \$0.4 million is from general revenues.

The Governor subsequently requested an amendment to reduce federal funds by \$0.2 million based on an updated assessment of assigned square footage for the Department of Labor and Training. The Assembly concurred.

Other Operations. Consistent with the revised request, the Department requested \$0.3 million from all sources, or \$0.1 million less than enacted for other expenses in FY 2019. This includes \$0.1 million less from general revenues and \$28,356 less from other funds. The reduction to general revenues reflects adjustments to various operating expenses to bring the appropriation in line with actual spending from FY 2017. The decrease to other funds reflects the removal of funding for the State Workforce and Education Alignment Project grant, which had been received in May 2015, as well as from Short Time Compensation programs, reflecting the end of the programs. *The Governor recommended funding as requested. The Assembly concurred.*

Department of Revenue

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Office of Director	\$ 1,244,266	\$ 2,008,891	\$ 2,144,460	\$ 2,122,802
Office of Revenue Analysis	788,009	730,282	883,408	905,219
Lottery Division	375,039,436	369,555,477	400,184,045	400,184,045
Division of Municipal Finance	3,111,025	2,942,531	2,178,455	2,815,457
Taxation	95,449,305	27,691,044	30,395,010	30,908,426
Registry of Motor Vehicles	26,263,221	27,547,113	30,324,926	30,720,355
State Aid	23,476,456	93,993,496	115,775,457	115,775,457
Collections	-	-	591,609	601,755
Total	\$ 525,371,718	\$ 524,468,834	\$ 582,477,370	\$ 584,033,516
Expenditures by Category				
Salaries and Benefits	\$ 50,779,564	\$ 50,029,386	\$ 56,759,285	\$ 57,715,431
Contracted Services	5,530,051	5,510,479	7,587,560	7,587,560
Subtotal	\$ 56,309,615	\$ 55,539,865	\$ 64,346,845	\$ 65,302,991
Other State Operations	371,758,856	373,238,067	401,043,959	401,043,959
Aid to Local Units of Government	95,578,344	94,112,295	115,843,053	115,843,053
Assistance, Grants, and Benefits	1,013,641	1,012,395	417,645	1,017,645
Capital	643,161	496,014	755,670	755,670
Operating Transfers	68,101	70,198	70,198	70,198
Total	\$ 525,371,718	\$ 524,468,834	\$ 582,477,370	\$ 584,033,516
Sources of Funds				
General Revenue	\$ 143,622,132	\$ 148,430,966	\$ 177,275,361	\$ 178,831,507
Federal Aid	1,567,500	1,487,293	2,109,465	2,109,465
Restricted Receipts	3,962,015	3,900,165	2,064,187	2,064,187
Other	376,220,071	370,650,410	401,028,357	401,028,357
Total	\$ 525,371,718	\$ 524,468,834	\$ 582,477,370	\$ 584,033,516
FTE Authorization	533.5	529.5	612.5	604.5

Summary. The Department of Revenue requested expenditures of \$582.3 million for FY 2019, including \$177.6 million from general revenues, \$2.1 million from federal funds, \$2.1 million from restricted receipts, and \$400.5 million from other sources including Lottery funds. The request is \$56.9 million more than the enacted budget. This includes \$34.0 million more from general revenues, \$0.5 million less from federal funds, \$1.8 million less from restricted receipts, and \$24.3 million more from other sources, primarily Lottery funds. The Department requested 559.5 full-time equivalent positions, 26.0 more than enacted.

The Department also submitted a constrained request that is \$1.4 million less from general revenues than the unconstrained request.

The Governor recommended \$582.5 million from all sources, \$57.1 million more than enacted, including \$33.7 million more from general revenues. Excluding the cost of centralized services transferred from the

Department of Administration, the recommendation is \$50.7 million more than enacted, including \$27.4 million more from general revenues. The recommendation includes 612.5 full-time equivalent positions, which is 79.0 more than the authorized level, including 23.0 for new casino operations, 22.0 for enhanced collections, 32.0 at the Registry of Motor Vehicles and 7.0 for a new collections unit. These increases are offset by the elimination of 3.0 positions in municipal finance, one in Lottery, and an unspecified reduction. As of the pay period ending January 20, the Department had 27.5 vacancies.

The Assembly included \$1.6 million more than recommended from general revenues primarily to reflect cost-of-living adjustments. It authorized staffing of 604.5 full-time equivalent positions, 71.0 positions more than enacted and 8.0 positions less than recommended to reflect the removal of vacancies. The Assembly concurred with the rest of the recommendation.

Target Issues. The Budget Office provided the Department of Revenue with a general revenue target of \$170.5 million. The amount includes current service adjustments of \$31.8 million and a 10.0 percent target reduction, adjusted for certain exclusions, of \$4.9 million.

The constrained budget submitted by the Department is \$5.7 million more than the target; however, the Department's request proposes \$5.7 million in new revenues from an enhanced collections initiative and suggested changes to a current Department regulation which offset the overage, but does not reduce the Department's expenditures.

FY 2019 Budget	Budget Office		DOR	Difference		
FY 2018 Enacted	\$	143,622,132	\$	143,622,132	\$	-
Current Service Adjustments		31,844,507		30,980,755		(863,752)
New Initiatives		-		2,996,283		2,996,283
Change to FY 2018 Enacted	\$	31,844,507	\$	33,977,038	\$	(863,752)
FY 2019 Current Service/Unconstrained Request	\$	175,466,639	\$	177,599,170	\$	(863,752)
Target Reduction/Initiatives		(4,939,214)		(1,362,620)		3,576,594
FY 2019 Constrained Target/Request	\$	170,527,425	\$	176,236,550	\$	5,709,125
Change to FY 2018 Enacted	\$	26,905,293	\$	32,614,418	\$	5,709,125

The proposals to achieve the reductions and revenues are noted among the items described below where appropriate. *The Governor's recommendation is \$0.5 million above the target, adjusted for centralized services expenses. The enacted budget is \$2.1 million above the target.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education.

The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Revenue, the FY 2018 budget identifies \$3.4 million, including \$0.8 million of personnel savings, a one-time \$2.0 million transfer from Twin River, and \$0.6 million from Lottery revenues based on expenditure reductions. The FY 2019 recommendation includes continued general revenue savings from staffing of approximately \$0.6 million. The Assembly concurred.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

*The Governor's budget adds \$6.4 million, including \$6.2 million from general revenues for the Department of Revenue for its share of centralized services transferred from the Department of Administration. This includes \$0.8 million for human resources support, \$4.2 million for information technology services and \$1.4 million for facilities management. **The Assembly concurred.***

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget did not include any funding set aside pending the outcome of contract negotiations. **The Assembly provided \$1.0 million from general revenues.***

Office of the Director

Staffing and Operations. The Department requested \$1.4 million from general revenues for staffing and operations in the Office of the Director, which is \$0.1 million more than enacted. The Office oversees overall departmental operations and is comprised of two units: the director of revenue and legal services. The request includes funding for 10.3 full-time equivalent positions, consistent with the authorized level, and includes a cost allocation to the Division of Lottery for 75.0 percent of one position.

The requested salaries and benefits include \$0.1 million in turnover savings and are inclusive of all step increases, reflect updated planning values, and restore half of the turnover assumed in the enacted budget.

*The Governor recommended \$5,788 more than requested for benefit adjustments. **The Assembly provided \$21,658 less than recommended from general revenues to reflect the exclusion of a cost allocation for a Governor's Office position being charged to the Department offset by cost-of-living adjustments of \$36,456.***

Office of Revenue Analysis

Staffing and Operations. The Department requested \$0.9 million, which is \$0.1 million more than enacted from general revenues and the authorized level of 6.0 full-time equivalent positions for the Office of Revenue Analysis staffing and operations. The Office noted the funding is required to fill a position to meet its reporting targets under current law. The request restores \$35,675 of turnover savings assumed in the enacted budget. This includes all step increases, reflects updated planning values, and maintains \$45,825 in turnover savings.

The request includes \$26,220 more than enacted from general revenues for operations. This includes the biennial licensing for the Office's economic modeling software, and \$27,820 for the forecasting software, which the Office utilizes in its analysis work. The forecasting license is an annual expense, but economic modeling software will be due again in FY 2021. Other expenditures, excluding one-time items, are generally consistent with prior years' spending.

*The Governor recommended \$3,501 more than requested for benefit adjustments. **The Assembly added \$21,811 to reflect cost-of-living adjustments.***

Lottery Division

Commission Payments. The Department requested \$373.7 million, which is \$21.1 million more than enacted from Lottery funds for commission payments to reflect estimated gaming activities. The request includes \$17.0 million more than enacted for table games, including \$9.1 million related to activity at the

new Twin River-Tiverton Casino which the request assumes opens on December 1, 2018, and \$4.1 million more for traditional lottery sales. The appropriations act historically includes language authorizing the Lottery to pay winning prize funds and commission payments for the fiscal year. *The Governor recommended funding as requested. The Assembly concurred.*

Tiverton Casino (23.0 FTE). The Department requested \$2.5 million from Lottery funds for expenses related to the opening of the new Twin River-Tiverton Casino. The request includes 7.5 months of funding for 23.0 full-time equivalent positions, reflecting a start two weeks prior to the anticipated December 1, 2018 casino opening. Any change advancing the opening date is likely to increase this figure.

The request includes \$1.3 million from lottery funds for 23.0 full-time equivalent positions for the casino's table game compliance team, shown in the table below. The annualized value of these positions is \$2.1 million.

Requested Positions	FTE	Position Costs
Compliance Representative	10.0	\$ 518,071
Gaming Operations Investigator	3.0	161,394
Security Inspector	3.0	167,661
Compliance Supervisor	2.0	120,715
Information Technology Support Specialist	1.0	53,798
Financial Analyst	1.0	67,681
Surveillance Analyst	1.0	67,681
Financial Analyst Supervisor	1.0	72,823
Senior Compliance Supervisor	1.0	72,823
Total	23.0	\$ 1,302,648

The operating request includes \$0.2 million for technology support including a general ledger system, scan system, and program equipment and supplies. The request also includes \$0.9 million to pay the Department of Public Safety for 6.0 full-time equivalent positions from the state police gaming unit. The estimate for the Tiverton gaming unit uses the enacted amount for the Lincoln gaming unit, which has historically overstated expenditures.

The 2016 Assembly authorized a referendum to be placed before the voters on the November 2016 ballot, to relocate the license of Newport Grand to the Town of Tiverton to administer state-operated video lottery and table games; voters approved it.

As part of its constrained request, the Division excluded the \$1.3 million for salaries and benefits.

The Governor recommended \$0.2 million more than requested from Lottery funds. The increase reflects an anticipated November 2018 opening date, one month earlier than the request, consistent with the November Revenue Estimating Conference; the recommendation provides \$1.5 million for 23.0 new staff, and funding for operations and security as requested. The Assembly concurred. Consistent with the testimony at the May Revenue Estimating Conference, the Tiverton Casino is anticipated to open September 2018.

Other Salaries and Benefits. The Department's request includes \$9.4 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. The enacted budget includes \$0.6 million in turnover savings, and the request restores half of that. The request is consistent with updated benefit rates, but also includes a 5.0 percent inflation rate which the Division annually applies to its funding requests, though it is not tied to anything specific. The Division has averaged approximately 7.0 vacancies through the first half of FY 2018.

As part of its constrained request, the Division proposed to eliminate one full-time equivalent position which is no longer necessary, for savings of \$0.1 million from lottery funds. *The Governor recommended \$0.2 million more than requested, including statewide benefit adjustments.* **The Assembly concurred.**

Other Operations. The Department requested \$13.8 million, \$0.6 million more than enacted from Lottery funds for all other Lottery operations. This includes a 5.0 percent increase to all expenditure items consistent with the Division's prior years' practice, offset by \$57,323 less for college student nightly drawings to reflect actual expenditures. It should be noted that the requested expenditure level is \$4.5 million more than spent in FY 2017 and \$5.5 million more than FY 2016. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital. The Department requested \$0.4 million, \$0.1 million more than enacted from Lottery funds for capital expenditures. The increase reflects a request to repair the lottery building roof. The Division has also requested Rhode Island Capital Plan funds in the Department's capital request. *The Governor recommended funding as requested.* **The Assembly concurred. Details on these projects can be found in the Capital Budget section of this publication.**

Division of Municipal Finance

Transparency Portal. The Division requested \$0.2 million from general revenues, \$7,960 less than enacted, for annual maintenance and support for the Municipal Transparency Portal authorized by the 2016 Assembly, including \$0.1 million to fully fund one full-time equivalent position, and the enacted amount of \$60,638 for the software license. The Division intended to launch the portal in January 2017, and fill the position concurrent with the launch. The Division delayed the launch because of difficulties in standardizing the reporting between the state's municipalities. The Division planned a multiphase rollout beginning in May 2017; the portal continued to be delayed.

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, including one new full-time equivalent position to administer the initiative.

The Department's constrained request eliminates the position associated with the portal. The Division does not anticipate the elimination to have any impact as the position has never been filled and the responsibilities have been reallocated within the Division.

The Governor eliminated the position consistent with her revised recommendation. The recommendation funds the portal essentially as requested over the two year period. **The Assembly concurred. The portal launched April 25, 2018.**

Staffing. The Department requested \$1.8 million, \$40,765 more than enacted from general revenues for all other Division of Municipal Finance staffing. Expenditures for salaries and benefits include \$15,680 to reflect updated Budget Office planning values and restore \$25,077 of turnover savings included in the enacted budget for the remaining 16.0 positions within the Division. The request includes \$0.1 million in turnover savings.

The Department's constrained request is \$0.2 million less than requested, to eliminate two positions of its three remaining vacant positions. The constrained request is \$25,031 more than the current estimated staffing level, and reflects funding for the remaining position for approximately 2.5 months.

The Governor's recommendation is \$144,632 less than enacted consistent with the constrained request, and eliminates two vacant positions. She also added funds for statewide benefit adjustments. **The Assembly provided \$37,002 more than enacted to reflect cost-of-living adjustments.**

Oversight Reimbursement. The Department requested \$67,596 from general revenues, \$61,443 less than enacted for oversight reimbursements. Consistent with the revised request, the reduction reduces funding to reflect end of oversight of Central Falls, anticipated in April 2018. It should be noted that the Department also reported that East Providence is anticipated to fall out of oversight in October 2018.

Since the overseer uses billable hours, additional savings may be available if the overseer maintains a part-time schedule consistent with the three-day schedule reported for FY 2017. The request is consistent with current law, which requires the state to reimburse 50.0 percent of the cost for a finance advisor to municipalities that have improved in financial standing but no longer require a receiver. *The Governor recommended funding as requested.* **The Assembly concurred.**

City of Central Falls Operations. The Department requested \$0.6 million in operational support for Central Falls consistent with the appropriation provided in Article 1 of 2017-H 5175, Substitute A, as amended. *The Governor's recommendation excluded this funding.* **The Assembly included a \$600,000 appropriation identified in Article 1 of 2018-H 7200, Substitute A, as amended to support operations of the City of Central Falls.**

Central Falls Retirees' Pensions. The Department requested the enacted level of \$0.3 million from general revenues to support payments to City of Central Falls retirees who were not part of any state retirement system as part of the city's bankruptcy. 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 Governor recommended the enacted level of funding.* **The Assembly concurred.**

Other Operations. The Department requested \$0.1 million, \$25,000 less than enacted from general revenues, for all other Division of Municipal Finance expenses. Consistent with the revised request, the reduction reflects aligning vendor service expenditures with prior years' spending, exclusive of one-time items. *The Governor recommended funding as requested.* **The Assembly concurred.**

Local Aid

Motor Vehicles Excise Tax. The Department requested \$61.0 million for the Motor Vehicles Excise Tax and Phase-Out program for FY 2019. The request includes the \$26.0 million enacted base funding, plus \$25.0 million more than enacted for the next year of the motor vehicle excise tax phase-out enacted by the 2017 Assembly. It is expected that updated data will alter this value. The 2017 Assembly enacted Article 11 of 2017-H 5175, Substitute A, as amended, to phase-out the motor vehicle excise tax in a different way and provided \$26.0 million more to reimburse lost revenues to local municipalities for FY 2018. Prior to that, only a \$500 exemption was being reimbursed, subject to appropriation. The legislation fixed the prior \$10.0 million reimbursement in statute as the base for reimbursements under the new program, and requires municipalities to maintain current calculation practices.

For FY 2019, the changes include increasing the minimum exemption from \$1,000 to \$2,000, lowering the assessed value from 95.0 percent to 90.0 percent, and lowering the tax rate cap from \$60 to \$50, per \$1,000. As of FY 2018, cars older than 15 years old are no longer taxed.

The Governor recommended \$54.7 million, which is \$18.7 million more than enacted based on updated data. **The Assembly concurred.**

Payment in Lieu of Taxes. The Department requested \$46.9 million, \$1.7 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 are exempt from taxation by state law. The Department reported the \$46.9 million reflects the estimate of full funding of the program using 2018 data, pending availability of updated data.

The Governor recommended \$46.1 million, \$0.8 million less than requested to fully fund the program based on updated data. The Assembly concurred.

Property Tax Revaluation Program. The Department requested \$1.6 million, which is \$0.7 million more than enacted from general revenues to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2019. The request reflects anticipated expenses for maximum allowable reimbursements for communities scheduled to complete revaluations in FY 2019. Expenditures fluctuate annually, on a triennial cycle, including an anticipated \$0.9 million in FY 2018, as well as actual expenditures of \$0.4 million in FY 2017 and \$1.3 million in FY 2016. *The Governor recommended funding as requested. The Assembly concurred.*

Distressed Communities. The Department requested the enacted amount of \$12.4 million from general revenues for the Distressed Communities Relief program.

The Distressed Communities Relief program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers. Rhode Island General Law, Section 45-13-12 establishes the following four indices to determine eligibility: percent of tax levy to full value of property, per capita income, percent of personal income to full value of property, and per capita full value of property. Effective FY 2006, any community falling into the lowest 20.0 percent, or bottom eight rankings, for at least three of the four indices is eligible for assistance under the program. *The Governor concurred. The Assembly concurred.*

Car Rental/Surcharge – Warwick Share. The Department requested the enacted amount of \$0.9 million from restricted receipts for the City of Warwick as reimbursement for costs related to direct and indirect users of the T.F. Green Airport. 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 concurred. The Assembly concurred.*

Division of Taxation

Tax Amnesty. The enacted budget includes \$500,000 from general revenues for one-time costs associated with a 75-day tax amnesty initiative, ending February 15, 2018. The Budget includes \$100,000 for staff, \$250,000 for computer programming and \$150,000 for other operations. The Department's FY 2019 request excludes this funding. *The Governor concurred. The Assembly concurred.*

Taxation Restructuring. The Office of Management and Budget contracted a 90-day study to identify efficiencies for the organization, operation, and revenue collection of the state. The findings included recommendations to improve performance of the Department of Revenue; it was found to have a low level of annual assessments per revenue agent and high turnover among revenue officers, which negatively impacts collections. Enhancing the discovery unit through improved audit targeting, and improved collaboration among legal, audit, collections and analytics areas to maximize audit and collections resources was recommended to improve collections. To improve retention and productivity, the recommendation was to tailor and streamline job requirements and separate compliance and collections efforts.

*The Governor recommended \$2.6 million for costs directly associated with restructuring efforts to enable enhanced revenue collections. This includes \$2.2 million for 22.0 full-time equivalent positions. The new positions include 7.0 Revenue Officers, 6.0 Revenue Agents, 4.0 Data Analysts, 3.0 Taxpayer Service Specialists, a Data Entry Operator, Interdepartmental Project Manager, Revenue Agent II, Supervising Revenue Officer I, and Data Analyst II. Three existing positions would be eliminated. The recommendation appears to represent essentially an entire year of funding. The recommendation also includes \$132,000 for technology and workstations for the new staff and \$0.2 million to expand audit analytics. The exact plan for how the work flow and duties would be altered to generate the revenues has not been provided and should be explored as part of the budget hearing process. **The Assembly concurred; details were reviewed in the hearing process.***

Taxpayer Portal. The Division of Taxation developed a taxpayer portal as part of its integrated tax system; the project was included in the FY 2013 enacted budget, funded from Certificates of Participation authorized by the 2012 Assembly. In May 2013, the project was initiated; the implementation of the project was divided into three phased releases. The first phase of the system design and implementation was completed on schedule. The 26 tax types were added to the integrated system in 2014. In FY 2015, three more tax types were added. By FY 2017, the remaining tax types were added to the integrated system, the taxpayer portal was redesigned, the International Fuel Tax Agreement and Letter of Good Standing portals were built, and an inventory management system was integrated into the platform without changing the timeline to completion. The portal was delayed because of security concerns including the need for a penetration test down to the application level, firewall configurations for security that must be upgraded prior to the launch of the portal, and the need for continuous cybersecurity monitoring and maintenance to protect taxpayer information. The Department's budget does not include any adjustments based on the eventual launch.

*The Governor's budget reduces funding for salaries and benefits based on anticipated efficiencies to be achieved once the portal is launched, presumably by July 1, 2018. It is not clear what the efficiencies expected are, but the savings is equivalent to approximately five positions. **The Assembly concurred.***

Salaries and Benefits. The Department requested \$22.7 million, \$0.2 million less than enacted from all sources for salaries and benefits for the enacted level of 235.0 full-time equivalent positions in the Division of Taxation. This includes \$0.1 million less from general revenues, \$0.5 million more from federal unemployment insurance funds, \$0.3 million less from restricted receipts, and \$0.3 million less from other fund sources.

The 2017 Assembly authorized four positions, including two revenue agent positions and two data analyst positions in the Division of Taxation intended to increase compliance efforts. The positions were associated with \$2.0 million of increased revenues assumed in the budget. The Department reported at the November Revenue Estimating Conference that it has prioritized its hiring based on revenue generation, and the two revenue agent positions have been filled.

The request includes updated Budget Office planning values, and \$1.1 million of turnover savings, reflective of the 9.1 vacancies the Department has averaged over the first half of the year. Turnover savings are assumed to be \$0.3 million greater than enacted. The request also includes \$0.5 million, \$14,913 more than enacted to fund 19.0 seasonal positions consistent with its revised request. *The Governor recommended funding essentially as requested. **The Assembly concurred and included \$0.5 million for cost-of-living adjustments within the division.***

Integrated Tax System Maintenance and Support. The Department requested \$4.0 million, \$3.0 million more than enacted from general revenues for maintenance and support, and vendor services. The request includes \$1.7 million more than enacted for maintenance and support of the new system, and \$1.3 million

for vendor services for a database team to replace Department of Information Technology staff and resources that were assumed in the system's maintenance and support contract.

The Department's constrained request excludes \$1.3 million for the database team. *The Governor recommended the \$1.7 million requested for maintenance and support. She also provided \$0.9 million for vendor support, \$0.4 million less than requested.* **The Assembly concurred.**

Multistate Tax Commission. Consistent with its revised FY 2018 request, the Department requested \$150,282 from general revenues for dues for the Multistate Tax Commission. This is \$54,656 more than enacted to reflect the Division's sovereignty level membership, and participation in the Nexus and Joint Audit Program. The Nexus and Joint Audit programs are third-party auditor contracts with the Multistate Tax Commission, which allow multiple states to jointly audit a single multistate taxpayer to produce efficiencies to both taxpayers and the states. The Division reported it increased its membership level during the prior year, and the FY 2018 and FY 2019 requests are largely consistent with FY 2017 actual spending. *The Governor concurred.* **The Assembly concurred.**

Other Operations. The Department requested \$2.1 million, \$95,203 more than enacted from all sources including \$97,703 from general revenues, \$1,026 less from federal funds, \$718 less from restricted receipts and \$756 less from other funds for all other Division of Taxation operations. Consistent with the Division's FY 2018 revised request, it adjusts information technology expenditures and includes a new contract for cash management and financial logistics services, with new consumer-friendly features including daily processing of payments. The FY 2019 request retains \$14,000 of capital funding which the revised request reduced, and includes \$0.1 million less for the Division's printing costs not reduced as part of the revised request. Other operational spending is largely consistent with prior years' actual spending. *The Governor concurred.* **The Assembly concurred.**

Sales and Use Tax – Digital Products. The Department proposed a new revenue initiative estimated to produce revenues of \$3.2 million for FY 2019 by ending the regulatory sales and use tax exclusion for digital products and vendor hosted software. State regulation SU 11-25, which governs the taxability of computer hardware, software, and related items, came into effect in 2011. As digital products and offerings have expanded and evolved, the Department noted this exclusion resulted in reduced levels of revenue. The Division noted that nearly a third of states tax vendor-hosted software, and more than half of states tax digital products.

The Office of Revenue Analysis estimated Rhode Island's share of the reported \$9.0 billion digital download and rental market at \$33.7 million, including digital videos, music products, and e-books. The Office noted that digital Amazon Prime subscriptions are already taxed in Rhode Island, and represent approximately 13.0 percent of the subscription streaming market. While the Office assumed growth rates for out-year revenue estimates, because of uncertainty in market conditions, the Office assumed a 2.2 percent growth rate for FY 2020, yielding revenues of \$3.6 million, but maintained the same revenue level for its out-year assumptions and a weighted collection rate of 83.0 percent.

The Governor's budget includes Article 4 of 2018-H 7200 to expand the state's sales and use tax to Software as a Service and assumes \$4.8 million in new revenues. Article 4 also includes a proposal to expand the sales tax to security services, including investigation, guard and armored car services, and assumes \$9.7 million in associated new revenues. Both changes take effect July 1, 2018. Subsequent to the submission of the budget, the Governor requested an amendment to correct the effective date for the Software as a Service to October 1, 2018, to be compliant with the streamlined sales tax agreement. **The Assembly concurred.**

Division of Motor Vehicles

License Plate Reissuance. The Department requested \$3.0 million from general revenues to begin reissuing reflective license plates in accordance with Rhode Island General Law, Section 31-3-33, which requires that the state issue new fully reflective license plates no less than every ten years. The 2017 Assembly adopted legislation delaying license plate reissuance until January 1, 2019 in order for the reissuance to occur after the deployment of the Registry's modernized information technology system for administrative ease. The reissuance had been delayed five times previously, from September 1, 2011 to September 1, 2013, then again to September 1, 2015, July 1, 2016, and April 1, 2017.

Previously, enacted funding was delayed, consistent with the new January 1, 2019 start date. Estimated revenues are \$1.3 million for the six months of reissuance in FY 2019.

Total cost for reissuance is estimated at \$5.7 million, with the assumption that reissuance will take place over a 24-month period. Assuming production begins January 2019 expenses are \$1.4 million in FY 2019, \$2.9 million in FY 2020, and \$1.4 million in FY 2021. Any unspent funds in FY 2019 are anticipated to be reappropriated to FY 2020 to complete the reissuance process.

*Article 8 of the Governor's recommended budget delays the reissuance until January 1, 2020. The recommendation adjusts revenues and excludes expenditures accordingly. **The Assembly concurred.***

Information Technology Modernization. The Department requested \$0.5 million, which is \$1.6 million less than enacted from restricted receipts to close out the information modernization payouts. The 2017 Assembly enacted Article 11 of 2017-H 5175, Substitute A, as amended, extending the \$1.50 technology surcharge through FY 2022, but transferred the deposits to the Information Technology Investment Fund. The revenues are to be used for project-related payments, maintenance, and enhancements for the Division's new information technology system. The system launched July 5, 2017. *The Governor recommended funding as requested. **The Assembly concurred.***

Suspension Fees (3.0 FTE). The Department requested \$0.2 million from general revenues for the Registry of Motor Vehicles to begin enforcing registration suspensions, permitted under current law, for failure to comply with the state's inspection requirements. The request includes \$120,626 for salaries and benefits for 3.0 new full-time equivalent positions, including two senior tellers and one motor vehicle appeals officer. The request also includes \$15,208 for computer programming, and to construct a hearing room at the state inspection facility at 325 Melrose Street, in Providence. The room and programming expenses are a one-time cost, but are requested in both years.

Prior to the launch of the Rhode Island Motor Vehicle System, the Registry could not uniformly identify vehicles which had had a lapse in the inspection requirement. The reported expired inspections would be generated by the system approximately one month after the lapse, and a notice of noncompliance would be sent to the owner who would have 20 days from the date of the notice to come into compliance. After that date the registration would be suspended, as permitted under current law; the fee for registration reinstatement is \$250. The Department reported the initiative would begin in January 2018 and begin receiving revenues in April 2018. Estimated revenues would total \$2.6 million for FY 2019, with net impact to the state of \$2.3 million.

The Department's constrained request intended to exclude the request for the positions and funding. Subsequent to the Department's budget submission, the Governor announced suspension of this effort until the legislature had an opportunity to review it.

*The Governor did not recommend expenditures to support this initiative. Her recommended budget does include \$2.6 million of revenues assuming it is implemented. **The Assembly did not concur with this***

proposal and included language in Article 8 of 2018-H 7200, Substitute A, as amended, which maintained the registry's current practice to not charge a fine for registration reinstatement for inspection violations.

Real ID. The Real ID Act, passed in 2005 by Congress, created national standards for the issuance of state driver's licenses and identification cards. In March 2007, the Department of Homeland Security published a Notice of Proposed Rulemaking detailing the minimum standards for driver's licenses and identification cards acceptable by federal agencies for official purposes. The State of Rhode Island had a waiver approved by the Department of Homeland Security for federal agencies to accept state identification credentials for an extended period. The current federal deadline for compliance is October 2020. At this time, citizens will not be permitted access to secure federal sites including travel through airports or access to certain federal buildings without Real ID compliant credentials.

The Department intends to begin issuing Real ID compliant licenses in December 2018. Real ID is intended to provide a more secure verification process, with stronger anti-counterfeit measures. Once implementation begins, the Department anticipates approximately 55 percent of the population holding some type of state-issued credential will require the new federally compliant credential. This can be done as part of a renewal of one's regular license or at any time with the payment of a duplicate license fee. The Department anticipates an approximate volume increase of about 489 people per day through the Registry system over a 22-month period. The new credentialing process requires more work than the current process, and as such, requires additional staff. The Department's budget request includes no additional funding for this undertaking.

The Governor's budget includes \$2.1 million from general revenues to support operations and 32.0 new full-time equivalent positions for implementation of federal Real ID requirements in FY 2019.

The Governor's budget also assumes the increased volume will result in \$2.1 million of revenues from duplicate license fees. The Governor's budget includes Article 8 of 2018-H 7200, which merges the fee for routine information updates from \$5.00 to \$25.00, like duplicates, and retains these fees as general revenues. The Governor's budget assumes another \$1.0 million in new revenues from this fee increase.

The Assembly concurred.

License Imaging Software. Consistent with its revised FY 2018 request, the Department requested \$1.4 million from general revenues for the cards on which the driver's licenses and other credentials such as state identification cards are printed by the registry branches. Costs are billed per card, and the request adds \$105,700 consistent with the number of cards issued during FY 2017.

*The Governor concurred and added \$0.4 million more to cover the cost of the expected volume increase associated with the issuance of Real ID duplicate credentials beginning December 2018. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$15.4 million, \$0.5 million more than enacted from all fund sources for all other Division of Motor Vehicles salaries and benefits for the authorized level of 182.5 full-time equivalent positions. Nearly all of the expenses are funded from general revenues. The request primarily reflects the restoration of general revenues excluded from the enacted budget when the Assembly declined to transfer a portion of staffing costs from the registry to the Highway Maintenance Account. It includes \$0.5 million more than enacted from general revenues, and \$16,258 less than enacted from federal funds.

The request includes \$0.1 million of adjustments for updated benefit rates consistent with Budget Office planning values, and includes \$0.7 million in turnover savings, \$0.5 million less than enacted, equivalent to approximately 8.4 positions, and the enacted amount of \$0.4 million for overtime expenditures.

*The Governor recommended \$0.2 million less than requested from general revenues. This appears to restore the funding requested, assume some positions are filled at a lower cost and include statewide benefit adjustments. **The Assembly concurred and included \$0.4 million for cost-of-living adjustments within the division.***

Other Operations. The Department requested \$5.1 million, which is \$19,413 more than enacted from general revenues for all other expenses for the Division of Motor Vehicles to reflect prior years' spending. The operating request includes \$1.0 million for postal services, \$0.9 million for its international truck registration service, \$0.5 million for printing, \$0.5 million for computers, \$0.3 million for rent, \$0.2 million for security services and the enacted amounts of \$0.6 million for maintenance and support of the new Rhode Island Motor Vehicle System.

Requests for additional funding include \$50,567 for postage for mailings, \$30,510 for cash management and financial logistics services, \$66,000 for its vehicle valuation software, and minor adjustments to custodial, interpreters, utilities and overhead costs. The Department reported that the increase in postage is reflective of actual spending and is not related to the plate reissuance effort. The request for postage is on par with FY 2016 actuals, but is approximately \$50,000 more than FY 2017 expenditures. *The Governor recommended funding as requested. **The Assembly concurred.***

Division of Collections

Collections. Under current law, any government agency may contract with the Division of Taxation to collect an outstanding liability owed to an agency. The Division is provided all the rights and powers of collection provided to either the division, or the contracting agency to which the liability is owed, including the right to set-off debts against any amounts collected under the agreements. The Department's budget request does not include any specific staff dedicated for these activities.

The Governor's budget includes legislation to establish a new Division of Collections separate from the Division of Taxation to centralize all of the collection activities of the state's departments. It also authorizes interest charges on the debt, and an additional 12.0 percent assessment to offset collections costs which would be treated as restricted receipts. The legislation also extends authority to the collections unit to enter a contingency contract with a third-party collections agent. It also requires that if the annual appropriation is sufficient to cover the expenses of the unit that the amount in the restricted receipt account would be transferred to the General Fund, or credited against any future appropriation by the Assembly.

*The Governor recommended \$0.6 million from general revenues and 7.0 full-time equivalent positions to support operations. The new staff includes: 3.0 Senior Accountants, 2.0 Collections Clerks, 1.0 Chief of Compliance and Collections, and 1.0 Billing Specialist. The Governor's budget assumes this proposal will result in \$1.3 million of new revenues, for a net impact of \$0.8 million. **The Assembly provided \$10,146 from general revenues to reflect cost-of-living adjustments and included language in Article 4 of 2018-H 7200, Substitute A, as amended, to authorize the Collections unit. The Assembly eliminated the 12.0 percent assessment and ability to contract a third-party collections agent. The Assembly also included annual reporting requirements and a sunset date of June 30, 2021.***

Legislature

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
General Assembly	\$ 6,080,325	\$ 8,116,093	\$ 6,762,071	\$ 6,762,071
Fiscal Advisory Staff	1,843,417	1,853,656	1,875,535	1,921,237
Legislative Council	5,436,430	5,099,052	5,235,747	5,337,728
Joint Comm. on Legislative Affairs	23,130,388	26,728,987	25,007,695	25,540,051
Office of the Auditor General	5,748,004	5,517,850	5,740,085	5,837,335
Special Legislative Commissions	13,900	13,900	13,900	13,900
Total	\$ 42,252,464	\$ 47,329,538	\$ 44,635,033	\$ 45,412,322
Expenditures by Category				
Salaries and Benefits	\$ 35,026,369	\$ 36,001,075	\$ 37,316,955	\$ 38,094,244
Contracted Services	555,500	755,300	680,500	680,500
Subtotal	\$ 35,581,869	\$ 36,756,375	\$ 37,997,455	\$ 38,774,744
Other State Operations	3,545,595	6,858,163	3,551,078	3,551,078
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,300,000	2,300,000	2,300,000
Capital	825,000	1,415,000	786,500	786,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 42,252,464	\$ 47,329,538	\$ 44,635,033	\$ 45,412,322
Sources of Funds				
General Revenue	\$ 40,522,507	\$ 45,684,781	\$ 42,914,338	\$ 43,691,627
Federal Aid	-	-	-	-
Restricted Receipts	1,729,957	1,644,757	1,720,695	1,720,695
Other	-	-	-	-
Total	\$ 42,252,464	\$ 47,329,538	\$ 44,635,033	\$ 45,412,322
FTE Authorization	298.5	298.5	298.5	298.5

Summary. The Legislature estimated FY 2019 expenditures of \$44.5 million and 298.5 full-time equivalent positions. This includes \$42.8 million from general revenues and \$1.7 million from restricted receipts.

The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$39,783 from general revenues for centralized information technology services and \$0.1 million from all sources, including \$92,802 from general revenues to reflect updated statewide benefit rates.*

*In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. **The Assembly included \$0.8 million from general revenues for cost-of-living adjustments and concurred with the remainder of the recommendation.***

Office of the Lieutenant Governor

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,041,881	\$ 951,591	\$ 976,682	\$ 1,051,308
Contracted Services	-	41,267	-	-
Subtotal	\$ 1,041,881	\$ 992,858	\$ 976,682	\$ 1,051,308
Other State Operations	41,586	62,379	62,539	62,539
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	750	750	750	750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,084,217	\$ 1,055,987	\$ 1,039,971	\$ 1,114,597
Sources of Funds				
General Revenue	\$ 1,084,217	\$ 1,055,987	\$ 1,039,971	\$ 1,114,597
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,084,217	\$ 1,055,987	\$ 1,039,971	\$ 1,114,597
FTE Authorization	8.0	8.0	8.0	8.0

Summary. The Office of the Lieutenant Governor requested total expenditures of \$1.0 million from general revenues for FY 2019, \$68,676 less than enacted. The request includes 8.0 full-time equivalent positions, consistent with the enacted authorization.

*The Governor recommended \$1.0 million from general revenues, \$24,430 more than requested. Excluding centralized services transferred from the Department of Administration, the recommendation is \$65,199 less than enacted from general revenues. She recommended the authorized level of 8.0 positions. **The Assembly added \$0.1 million from general revenues for staffing costs, including \$24,626 for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

Target Issues. The Budget Office provided the Office with a general revenue target of \$984,494. The amount includes current service adjustments of \$9,665 and a 10.0 percent target reduction of \$109,388.

The Office did not submit a constrained budget. The Office's request is \$31,047 more than the target. *Excluding funding added for centralized services, the Governor's budget is \$34,524 more than the target. **The enacted budget is \$0.1 million above the target.***

FY 2019 Budget	Budget Office	Lieutenant Governor	Difference
FY 2018 Enacted	\$ 1,084,217	\$ 1,084,217	\$ -
Current Service Adjustments	9,665	(68,676)	(78,341)
Change to FY 2018 Enacted	\$ 9,665	\$ (68,676)	\$ (78,341)
FY 2019 Current Service/Unconstrained Request	\$ 1,093,882	\$ 1,015,541	\$ (78,341)
Target Reduction/Initiatives	(109,388)	-	109,388
FY 2019 Constrained Target/Request	\$ 984,494	\$ 1,015,541	\$ 31,047
Change to FY 2018 Enacted	\$ (99,723)	\$ (68,676)	\$ 31,047

Staffing. The Office requested \$1.0 million from general revenues for salaries and benefits for 8.0 full-time equivalent positions, which is \$68,676 less than enacted. The request does not appear to fully fund the authorized positions. The revised request suggests there is turnover savings of \$41,267, even with full staffing. *The Governor recommended \$3,477 more than requested to reflect adjustments to benefit calculations. As of the pay period ending January 20, all 8.0 positions were filled.* **The Assembly increased salaries and benefits by \$50,000 based on information subsequently provided by the Office.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside for the result of contract negotiations.* **The Assembly included \$24,626 for the Office.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$20,953 from general revenues for the Office's share of centralized information technology services.* **The Assembly concurred.**

Other Operations. The Office requested \$42,336 from general revenues for all other operations, consistent with the enacted budget. This is \$1,917 less than FY 2017 spending for the same items. It should be noted that the Office is not requesting any funds for legal services for FY 2019 despite spending \$0.1 million for legal services in FY 2017 and requesting \$41,267 for legal services in its FY 2018 revised budget request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Office of the Secretary of State

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Administration	\$ 3,382,625	\$ 3,395,969	\$ 3,377,583	\$ 3,326,174
Corporations	2,224,127	2,234,858	2,287,410	2,318,968
Elections and Civics	1,906,470	2,012,726	2,881,418	4,876,817
Office of Public Information	612,562	568,983	634,880	647,057
State Archives	501,628	615,789	507,235	507,235
State Library	723,385	598,162	613,236	623,911
Total	\$ 9,350,797	\$ 9,426,487	\$ 10,301,762	\$ 12,300,162
Expenditures by Category				
Salaries and Benefits	\$ 6,247,510	\$ 6,011,891	\$ 6,407,397	\$ 6,422,027
Contracted Services	438,698	688,307	385,252	1,210,252
Subtotal	\$ 6,686,208	\$ 6,700,198	\$ 6,792,649	\$ 7,632,279
Other State Operations	2,481,388	2,455,093	3,319,363	4,378,133
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	143,976	143,000	143,000	243,000
Capital	39,225	128,196	46,750	46,750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 9,350,797	\$ 9,426,487	\$ 10,301,762	\$ 12,300,162
Sources of Funds				
General Revenue	\$ 8,911,319	\$ 8,859,416	\$ 9,861,104	\$ 9,875,734
Federal Aid	-	22,859	-	1,983,770
Restricted Receipts	439,478	436,666	440,658	440,658
Other	-	107,546	-	-
Total	\$ 9,350,797	\$ 9,426,487	\$ 10,301,762	\$ 12,300,162
FTE Authorization	59.0	59.0	59.0	59.0

Summary. The Secretary of State requested FY 2019 expenditures of \$15.1 million, which is \$5.7 million more than the FY 2018 enacted budget. The request includes \$0.8 million more from general revenues, \$1,188 less from restricted receipts, and \$5.0 million more from Rhode Island Capital Plan funds. The request includes 59.0 full-time equivalent positions, which is consistent with the enacted authorization.

*The Governor recommended total expenditures of \$10.3 million, including \$9.9 million from general revenues. The recommendation is \$1.0 million more than enacted from all funds and \$0.9 million more from general revenues. Compared to the request, the recommendation is \$4.8 million less from all funds and \$0.2 million more from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$0.9 million more than enacted, including \$0.9 million from general revenues and \$2,368 from restricted receipts. The Governor recommended the authorized level of 59.0 full-time equivalent positions. **The Assembly provided \$2.0 million more than***

recommended mostly as a result of a grant received after the recommendation. The Assembly also added \$0.2 million from general revenues for cost-of-living adjustments.

Target Issues. The Budget Office provided the Office with a general revenue target of \$8.5 million. The amount includes current service adjustments of \$0.5 million and a 10.0 percent target reduction of \$0.8 million, adjusted for certain exclusions. The Office did not submit a constrained budget request. The Office’s request is \$0.3 million above the Budget Office’s current services level. *Excluding funding added for centralized services, the recommendation is \$1.3 million more than the target. The enacted budget is \$1.3 million above the target.*

FY 2019 Budget	Budget Office	Secretary of State	Difference
FY 2018 Enacted	\$ 8,911,319	\$ 8,911,319	\$ -
Current Service Adjustments	451,111	(150,697)	(601,808)
New Initiatives	-	927,661	927,661
<i>Change to FY 2018 Enacted</i>	<i>\$ 451,111</i>	<i>\$ 776,964</i>	<i>\$ 325,853</i>
FY 2019 Current Service/Unconstrained Request	\$ 9,362,430	\$ 9,688,283	\$ 325,853
Target Reduction/Initiatives	(818,466)	-	818,466
FY 2019 Constrained Target/Request	\$ 8,543,964	\$ 9,688,283	\$ 1,144,319
<i>Change to FY 2018 Enacted</i>	<i>\$ (367,355)</i>	<i>\$ 776,964</i>	<i>\$ 1,144,319</i>

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.2 million from general revenues for FY 2019.*

Prepaid Mail Ballots. The Office requested \$120,000, which is \$83,000 more than enacted, from general revenues to provide prepaid mail ballots for the elections in 2018. Currently, only those who are in the military, living overseas, or are incapacitated are provided postage-paid mail ballot return envelopes. This is a new initiative that has not occurred in any previous election and would provide postage-paid return envelopes with every mail ballot. *The Governor recommended funding as requested. The Assembly concurred.*

Election Expenses. The Office requested \$0.7 million in expenditures from general revenues, which is \$0.7 million more than enacted, for election expenses. This includes \$23,448 for temporary workers, \$630,000 for printing, and \$53,000 for advertising. The request is \$81,344 above the Budget Office’s current services estimate for election expenses and is \$37,129 more than the Office’s spending in FY 2017, the last on-year in the two-year election cycle. *The Governor recommended funding as requested. The Assembly concurred.*

Referenda Expenses. The Secretary of State requested \$90,000 for referenda costs, which are a biennial expense. Referenda costs include printing of referenda pamphlets, legal counsel and translator expenses. The request is \$20,000 below the Budget Office’s current services level. The Office spent \$134,355 on referenda costs in FY 2013, \$116,350 in FY 2015, and \$78,849 in FY 2017 the last three on-years in the two-year election cycle.

[Staff Note: The Office indicated that the budget submission inadvertently included a negative adjustment for the item, therefore, its budget totals are understated by \$110,000.] *The Governor recommended \$90,000 as the request intended. The Assembly concurred.*

Help America Vote Act – Election Security Upgrades. The federal Omnibus Appropriations Act signed into law March 23, 2018 includes \$380 million in Help America Vote Act funding for enhancements of election technology and security improvements. The Secretary of State, in conjunction with the Board of Elections, will be receiving \$3.0 million of that funding, which requires a \$150,000 state match and must be expended within five years. Applicable uses of these funds include cybersecurity enhancements, a post-election audit system, or other activities which will improve the security of elections for federal office.

The Governor requested an amendment on May 18, 2018 which includes \$2.0 million in expenditures from this grant. Funding would support the upgrade of the central voter registration system, the implementation of cybersecurity and data recovery best practices, e-poll book resources, election administration grants for cities and towns, risk limiting audits, election day incident management software, mail ballot opening and scanning equipment, and polling place operational improvements. The Assembly concurred.

Other Election Expenses. The Office requested \$1.5 million in expenditures from general revenues, which is \$17,341 more than enacted, for other election expenses. This includes \$30,000 for legal services, in line with FY 2017 expenditures, and a net reduction of \$2,659 for all other expenses. The request is \$0.4 million less than the Office’s spending in FY 2017, the last on-year in the two-year election cycle. The difference is a result of the purchase of electronic poll books and associated software costs by the Office in FY 2017. *The Governor recommended funding as requested. The Assembly concurred.*

Cyber Security Testing. The Office requested total project costs of \$120,000 from general revenues for cyber security testing over both FY 2018 and FY 2019. This project is a new initiative, not funded in the enacted budget, resulting from reported election interference throughout the country in November 2016. The testing would be carried out and completed prior to the elections in November 2018. The cost is split to be paid over two years, with \$41,907 in FY 2018 and \$78,093 in FY 2019. The goal of the testing is to assess the overall security of the Central Voter Registration System. The Office indicated that the project will aid in the development of additional security measures to ensure that networks and information are properly protected. *The Governor recommended funding as requested. The Assembly concurred.*

Rhode Island Government Owner’s Manual. The Office requested \$16,000 to publish the Rhode Island Government Owner’s Manual, which is only printed in odd numbered years, per Rhode Island General Law, Section 22-3-12. This is \$629 less than FY 2017 expenditures and \$613 less than the average cost from the last four printings. *The Governor recommended funding as requested. The Assembly concurred.*

Regulatory Reform Initiative. The Office requested \$23,180 from general revenues, or \$150,533 less than enacted, to finalize the state’s regulatory reform initiative begun in FY 2017. The FY 2018 enacted budget includes \$173,713 for two contractors to work on the project for three months. The Office noted these contractors were hired later than expected in FY 2017 and at a significantly lower cost; therefore, the Office’s FY 2018 revised request includes \$356,113 to keep the contractors on for the entire year. The FY 2019 request reflects funding to keep contracted staff until the end of July 2018 in order to account for any necessary fixes after the live release of the application. The Rhode Island Code of Regulations is expected to go live in FY 2018. *The Governor recommended funding as requested. The Assembly concurred.*

eGov Initiative. The Office requested \$326,400 or \$68,065 less than enacted from general revenues for information technology expenditures. After the new Secretary was sworn in, a new Chief Innovation Officer was hired, an agency-wide information technology review was conducted and improvement projects were developed. The Office indicated that this is an ongoing initiative of the Secretary of State. The reduction reflects the completion of phases of the owner’s manual and lobby tracker redesign and updated estimates for ongoing projects including the redesign of the open meeting user interface, the redesign of the Boards and Commissions database and webpage, and restructuring of the business services database. *The Governor recommended funding as requested. The Assembly concurred.*

Scanning Project. The Office requested \$42,940 or \$7,060 less than enacted from general revenues to hire an outside company to finish the 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 noted 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 online and allow for the transparency of businesses in Rhode Island. The Office assessed the progress of the project within FY 2018 and determined the project would need to be funded in FY 2019 as well. The FY 2018 enacted budget contains \$50,000 for this project. The revised FY 2018 request includes \$35,800 for the first part of the project, which suggests the project will ultimately cost \$78,740, which is \$28,740 more than the original funding provided. *The Governor recommended funding as requested for both years.*

The Assembly concurred.

Business Assistant Wizard. The Secretary of State is statutorily required by Rhode Island General Law, Chapter 42-132 to maintain and operate a Business Fast-Start Office, which is intended to provide a convenient and accessible business start-up portal that includes an interactive business wizard. The request includes \$12,000 from general revenues in FY 2018 and FY 2019 to modernize and redesign the current portal and wizard to meet the demands of today's entrepreneurs. There is no funding for this project in the FY 2018 enacted budget. The Office noted that the Office of Internal Audit recommended the Office find a better way to track funding coming in through this system. This project was started in response to that recommendation, which was officially submitted November 10, 2017. *The Governor recommended funding as requested for both years.*

The Assembly concurred.

Relocation of State Archives. Consistent with its capital request, the Office requested \$5.9 million from Rhode Island Capital Plan funds for FY 2019 to begin the construction of a new State Archives building. The operating request inadvertently understates this by \$0.9 million. The FY 2017 final budget included \$150,000 from Rhode Island Capital Plan funds to conduct a study that built upon a preliminary study funded by the Rhode Island Foundation, which requires an appropriate building that is designed to archival standards and that meets the functional requirements for such a facility. This study was finalized in January 2018. *The Governor did not recommend funding for a new facility.*

The Assembly concurred.

State Archives – All Other. The Office requested \$0.2 million, or \$45,520 less than enacted from all fund sources, including \$4,427 more from general revenues and \$49,947 less from restricted receipts from the Historical Records Trust Fund, for the operation of the state archives. The request primarily reflects \$106,384 for rent at Westminster Street in Providence where the Office stores its archival records. Compared to the enacted budget, the request shifted \$43,067, or 40.0 percent, of rental costs to the Records Center Fund, the major source of the decrease from the enacted budget. Rent at Westminster Street is paid through the state archives and records center divisions. The Office is in the process of relocating the Archives. *The Governor recommended funding as requested.*

The Assembly concurred.

Salaries and Benefits. The Office requested \$6.4 million, or \$0.1 million more than enacted, including \$84,543 more from general revenues and \$31,509 more from restricted receipts, to fully staff the Office in FY 2019. The request funds 55.4 full-time equivalent positions not assigned to the Records Center Fund. Additionally, the request appears to overstate the cost of interns by \$36,000. The Office currently has three vacancies, which are expected to be filled throughout FY 2018. There is no turnover in the enacted budget. The remaining increase reflects adjustments consistent with the Budget Office planning values with the exception of removing \$16,197 from costs associated with a union specific benefit. Consistent with the Office's revised budget submission, the increase to restricted receipts reflects a shift of expenses for the Director of State Archives, Library, and Public Information position from the State Library program to the State Archives program, allowing it to be funded from the Historical Records Trust Fund as well as the Records Center Fund.

*The Governor recommended \$43,835 more than requested from all sources, including \$41,467 more from general revenues. The increase includes \$21,728 to reflect statewide benefit adjustments and corrects the benefit excluded from the request. The recommendation did not correct the overstated cost for interns and fully funded the remaining 55.4 positions. As of the pay period ending January 20, 2018, the Office had 3.0 vacancies. **The Assembly provided \$14,630 more than recommended to reflect the removal of excess funding for interns and turnover savings of \$0.1 million offset by \$0.2 million for statewide cost-of-living adjustments.***

Records Center. The Office requested \$0.9 million, or \$136,645 more than enacted from other funds. The request reflects funding for 3.6 full-time equivalent positions, but appears to remove \$3,538 from costs associated with a union specific benefit. The request also reflects \$91,116 more for operating supplies and expenses, which includes apportioning \$43,067 more of the rental costs, noted earlier, at Westminster Street in Providence where the Office stores its archival records as a result of a cost shift from the Historical Records Trust to the Records Center Fund. In the enacted FY 2018 budget, the Office paid over 90.0 percent of rent from the Archives program; this reflects 40.0 percent of the cost shifting to the Records Center Fund. It also includes \$44,239 more for records storage and retrieval, based on FY 2017 expenditures. The Office's FY 2019 request is consistent with FY 2017 expenditures. The Records Center is an internal service program that does not appear in the Appropriations Act. Its expenses are budgeted in user agencies that pay a portion of their operating costs into this fund for record storage and retrieval. *The Governor recommended \$0.9 million, or \$3,549 more than requested, and fully funded the remaining 3.6 full-time equivalent positions. This corrects the error in the request and includes statewide benefit adjustments. **The Assembly concurred.***

Microfilm Machines. The Office requested \$4,500 from all sources for the purchase of one multipurpose microfilm machine for the State Archives. The cost is split between Historical Records Trust restricted receipts and Records Center Funds, \$2,250 each. There is no funding in the enacted budget for this item. The Office noted that the archives currently has three machines which are outdated. The Office's FY 2018 revised request includes two microfilm machines. *The Governor recommended funding as requested. **The Assembly concurred.***

Declaration of Independence Preservation. The Office requested \$15,000 from Historical Records Trust restricted receipts in FY 2018 and FY 2019 for the conservation and emergency stabilization of the state's copy of the Declaration of Independence, for a total cost of \$30,000. There is no funding in the enacted budget for this project. Also included in the request are the costs to house the original document, insurance costs associated with the project, and the digitization of a copy for display. *The Governor recommended funding as requested. **The Assembly concurred.***

State House Tour Program. Consistent with the enacted budget, the Office requested \$25,000 from general revenues for tour offerings and to enhance the 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 provide tours to approximately 15,000 people per year, the majority of whom are elementary and middle school students. The Office 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 Office spent \$23,625 in FY 2017 on the tour program. *The Governor recommended funding as requested. **The Assembly concurred.***

State House Visitor's Center. Consistent with the enacted budget, the Office requested \$25,000 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 Office spent \$12,681 in FY 2017 on the visitor's center. *The Governor recommended funding as requested. **The Assembly concurred.***

State Grants. Consistent with the enacted budget, the Office requested \$143,000 for state grants to support the Rhode Island Historical Society and the Newport Historical Society. The funding is required in accordance with Rhode Island General Laws, Sections 29-2-1 and 29-2-2, which provides \$125,000 to the Rhode Island Historical Society and \$18,000 to the Newport Historical Society for the purpose of caring for, preserving, and cataloguing the property of the state. *The Governor recommended funding as requested.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$21,354 from general revenues for the Office's share of centralized information technology services.* **The Assembly concurred.**

Other Operations. The Office requested \$0.7 million, or \$38,770 more than enacted, from general revenues for other expenses. This includes \$0.3 million for the Corporations division for rental of the West River Street offices, postal services, and legal expenses; \$0.2 million for the Administration division for records storage and retrieval charges from Iron Mountain, insurance expenses, and postal services; \$0.1 million for the Office of Public Information for legal expenses and software maintenance; and \$25,265 for the State Library for subscription expenses and general operating costs. The increase to the enacted budget reflects \$9,120 for overhead costs associated with the Records Center and \$7,400 for a sound system for the Corporations division. The request also includes \$22,250 to keep other expenses such as travel and postage consistent with actual spending from FY 2017. *The Governor recommended funding as requested.* **The Assembly concurred.**

Office of the General Treasurer

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
General Treasurer	\$ 3,297,246	\$ 3,572,263	\$ 3,643,573	\$ 3,643,593
Unclaimed Property	26,324,334	27,339,923	25,587,830	26,030,095
Employees' Retirement System	10,968,526	11,309,737	11,359,220	11,359,220
Crime Victim Compensation	2,174,344	1,940,464	2,083,548	2,089,672
Subtotal	\$ 42,764,450	\$ 44,162,387	\$ 42,674,171	\$ 43,122,580
Expenditures by Category				
Salaries and Benefits	\$ 9,995,925	\$ 10,251,954	\$ 10,329,650	\$ 10,335,794
Contracted Services	4,853,850	4,849,143	4,805,842	4,805,842
Subtotal	\$ 14,849,775	\$ 15,101,097	\$ 15,135,492	\$ 15,141,636
Other State Operations	25,820,400	27,186,865	25,578,404	26,020,669
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,988,000	1,708,000	1,860,000	1,860,000
Capital	106,275	166,425	100,275	100,275
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 42,764,450	\$ 44,162,387	\$ 42,674,171	\$ 43,122,580
Sources of Funds				
General Revenue	\$ 2,698,692	\$ 2,895,397	\$ 2,967,632	\$ 2,973,776
Federal Aid	1,090,337	1,034,011	1,074,874	1,074,874
Restricted Receipts	38,425,179	39,589,629	37,976,981	38,419,246
Other	550,242	643,350	654,684	654,684
Total	\$ 42,764,450	\$ 44,162,387	\$ 42,674,171	\$ 43,122,580
FTE Authorization	89.0	89.0	89.0	89.0

Summary. The Office requested expenditures of \$42.4 million, which is \$0.4 million less than enacted. This includes \$28,265 more from general revenues. The Office requested 89.0 full-time equivalent positions, consistent with the authorized level. *The Governor recommended \$42.7 million from all funds, which is \$0.3 million more than requested including \$0.2 million more from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$0.5 million less than enacted including \$37,104 more from general revenues. She recommended 89.0 full-time equivalent positions.*

The Assembly added \$56,144 from general revenues for cost-of-living increases for state employees, included \$50,000 in savings from the voluntary retirement incentive program, added \$0.4 million from restricted receipts to reflect the unclaimed property estimate of the May Revenue Estimating Conference and concurred with the remainder of the recommendation.

Target Issues. The Budget Office provided the Office with a general revenue target of \$2.4 million. The amount includes current service adjustments of \$16,426 and a 10.0 percent target reduction of \$271,512.

The Office did not submit a constrained budget. *Excluding funding added for centralized services, the Governor's budget is \$0.3 million more than the target. The enacted budget is also \$0.3 million more.*

FY 2019 Budget	Budget Office	Treasurer	Difference
FY 2018 Enacted	\$ 2,698,692	\$ 2,698,692	\$ -
Current Service Adjustments	16,426	28,265	11,839
Change to FY 2018 Enacted	\$ 16,426	\$ 28,265	\$ 11,839
FY 2019 Current Service/ Unconstrained Request	\$ 2,715,118	\$ 2,726,957	\$ 11,839
Target Reduction/Initiatives	(271,512)	-	271,512
FY 2019 Constrained Target/Request	\$ 2,443,606	\$ 2,726,957	\$ 283,351
Change to FY 2018 Enacted	\$ (255,086)	\$ 28,265	\$ 283,351

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$56,144 from general revenues for the Office for FY 2019.*

Retirement System MERS Public Safety Reimbursements. The Office requested \$100,000 in new funding for possible reimbursements to Municipal Employees Retirement System employers for police and fire employees who are on injured on duty status and successfully win a disability appeal. Under current law, municipal police and fire employees can appeal a denial of a disability pension in workers' compensation court. If the employee wins, the Retirement System must reimburse the municipality for any wages paid during appeal while the member was on injured on duty status. The 2017 Assembly added illness sustained while in the performance of duty as an occurrence that entitles a member to an accidental disability retirement. The provision that allows police and fire employees to appeal disability cases in worker's compensation court applies to injuries or illnesses occurring on or after July 1, 2011. As of December 2017, the System has not had to reimburse a municipality under this provision. *The Governor recommended funding as requested. The Assembly concurred.*

Retirement System Computer System. The FY 2019 budget request for \$2.5 million from Retirement System restricted receipts for the new computer system is \$0.2 million less than enacted to reflect the end of the implementation phase. The new system went live in FY 2017, but there is still some remaining work such as data validation and potential change orders for system enhancements. *The Governor recommended funding as requested. The Assembly concurred.*

Retirement System IT Cybersecurity. The FY 2019 request includes \$150,000 to contract for a security review and assessment of Morneau Shepell's data center. The Office plans to hire a national firm that specializes in this type of work. The System is in the final stages of implementing a new Retirement computer system. Based on the recent data breach with Equifax, the Board has voiced concern regarding the safety of members' private information. *The Governor recommended funding as requested. The Assembly concurred.*

Retirement System Personnel. The Office requested \$6.1 million to fully fund the Retirement System's 37.0 full-time equivalent positions, which is \$257,747 more than enacted. The request includes an additional \$45,000 in overtime based on extended office hours for counseling, \$0.1 million to restore turnover savings in the enacted budget, and \$0.1 million for benefit adjustments consistent with Budget Office planning values and revisions to cost allocations among programs. *The Governor recommended \$23,617 more than requested, primarily to reflect statewide benefit adjustments. The Assembly concurred.*

Other Retirement System Expenses. The Office requested \$2.3 million from Retirement System restricted receipts for all other expenses for the Retirement System including Board legal counsel, actuarial services, postage and printing associated with distribution of the System newsletter, and utilities and occupancy costs for the building on Service Avenue. The request is \$18,575 less than enacted and largely consistent with the FY 2018 revised request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Unclaimed Property Transfer. The Office requested \$9.6 million for the transfer from unclaimed property to the state, \$1.3 million less than enacted. Transfers of unclaimed property to the state are shown as expenditures in the Office's operating budget. Although this represents the agency's estimate, the transfer is adopted by the Revenue Estimating Conference that meets in November and May and expenditures reflect that. *The Governor recommended \$0.4 million less than requested, which is consistent with the November estimate of \$9.3 million.* **The Assembly added \$0.4 million to reflect the May Revenue Estimating Conference estimate of \$9.7 million.**

Unclaimed Property Claims. The Office requested \$14.3 million for payment of unpaid property claims, which is \$1.0 million more than 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 Office has reported that the increase relates to technology improvements which has led to increased revenue collections, specifically around improved holder compliance, and electronic reporting and remittance. Likewise, the Office reports that it has more efficient data-matching on the claim payout side. *The Governor recommended funding as requested.* **The Assembly concurred.**

Unclaimed Property Change in Claims Liability. The Office requested a decrease of \$0.3 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 recommended \$0.2 million more than requested, which is consistent with the November estimate.* **The Assembly concurred.**

Crime Victim Compensation. The FY 2019 request includes \$1.6 million for crime victim compensation claims, including \$0.8 million from restricted receipts and \$0.8 million from federal funds. This is \$130,000 less than enacted based on a decline in court receipts in FY 2017 related to issues with the implementation of the Judiciary's new case management system. 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 Office reported that receipts have rebounded some since the implementation of the system, but not enough to sustain the program in the out years at its current levels. This could potentially lead to a backlog or requirement for general revenues. *The Governor recommended funding as requested.* **The Assembly concurred.**

CollegeBound Saver. 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 CollegeBoundfund to CollegeBound Saver. The request is \$54,739 more than enacted including \$39,739 more for salaries and benefits and \$15,000 as a placeholder for a future audit. For FY 2019, salary and benefit expenditures of \$0.2 million support 2.0 full-time equivalent positions, a program administrator and an associate director as well as cost allocations

of 1.7 other positions. The enacted budget assumed 2.0 full-time equivalent positions and cost allocations of 1.5 positions. Most of the \$39,739 increase reflects the increase in cost allocations.

In addition to the administration of the tuition savings program under the auspices of the Office of the General Treasurer, 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 CollegeBound Saver program. The FY 2018 enacted budget includes \$7.4 million to support the Dual Enrollment and the Last Dollar Scholarship programs. *The Governor recommended \$1,111 more than requested primarily to reflect statewide benefit adjustments.* **The Assembly concurred.**

Office of Debt Management. The FY 2019 request includes \$0.4 million from general revenues to fund the Office of Debt Management, which is \$53,141 more than enacted. The FY 2017 enacted budget included \$0.3 million to fund a new Office of Debt Management 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 request includes an additional \$15,000 from general revenues for legal services for the Public Finance Debt Management Board, consistent with FY 2017 experience and the revised request. Also, consistent with FY 2017 spending, is the annual fee of \$36,000 to Socrata Inc. to run the debt portal though the FY 2018 revised request inadvertently excludes funding for this item. The request also includes \$25,000 for the next bi-annual debt affordability study. *The Governor recommended \$1,214 more than requested from general revenues primarily to reflect statewide benefit adjustments.* **The Assembly added funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Other Salaries and Benefits. The Office requested \$3.6 million for all other salaries and benefits for the Office's 52.0 non-Retirement System positions. This is \$12,412 less than enacted and includes \$4,048 more from general revenues. The request reflects current service adjustments, as well as revisions to cost allocations between programs and turnover savings equivalent to 1.5 vacant positions. Turnover in the enacted budget is equivalent to 0.6 vacant positions. The increase in turnover savings more than offsets current service adjustments. It should also be noted that the Office also revised its cost allocations between programs, consistent with prior years. As of the budget submission, the Office had 1.5 vacant positions. *The Governor recommended \$14,568 more than requested, including \$7,625 more from general revenues, primarily to reflect statewide benefit adjustments.* **The Assembly included general revenue savings of \$50,000 based on an individual opting to take the voluntary retirement incentive during FY 2018 partially offset by cost-of-living adjustments for state employees mentioned earlier.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget added \$0.4 million from all sources including \$0.2 million from general revenues. This includes \$0.2 million for facilities management services, of which \$53,581 is from general revenues, and \$0.2 million from general revenues for information technology services.* **The Assembly concurred.**

Other Operations. The Office requested \$1.3 million for all other expenses, which is \$11,621 less than enacted including \$28,924 less from general revenues and includes a total of \$0.7 million related to the Unclaimed Property program. The general revenue changes include a decrease of \$75,000 for bank fees partially offset by increases in printing, mobile phones and other office supplies consistent with FY 2017 spending. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Board of Elections

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,252,717	\$ 1,097,599	\$ 1,712,585	\$ 1,673,584
Contracted Services	83,788	135,788	135,788	135,788
Subtotal	\$ 1,336,505	\$ 1,233,387	\$ 1,848,373	\$ 1,809,372
Other State Operations	204,230	363,223	824,688	800,688
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	2,620,856	2,620,856
Capital	8,000	8,000	21,600	21,600
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,548,735	\$ 1,604,610	\$ 5,315,517	\$ 5,252,516
Sources of Funds				
General Revenue	\$ 1,548,735	\$ 1,604,610	\$ 5,315,517	\$ 5,252,516
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,548,735	\$ 1,604,610	\$ 5,315,517	\$ 5,252,516
FTE Authorization	12.0	12.0	12.0	13.0

Summary. The Board of Elections requested \$5.3 million from general revenues, or \$3.8 million more than enacted, most of which is related to the 2018 general election. The Board requested 12.0 full-time equivalent positions, which is consistent with the enacted authorization. *The Governor recommended \$5.3 million from general revenues, which is \$3.8 million more than enacted and \$13,174 less than requested, and 12.0 full-time equivalent positions. Excluding centralized services transferred from the Department of Administration, the recommendation is \$142,402 less than the request. The Governor's capital budget recommends use of the Board's building for the State Medical Examiner. No operating budget impact is contemplated for FY 2019. The Assembly provided \$5.3 million and 13.0 full-time equivalent positions. It does not anticipate change to the Board's location in FY 2019.*

Target Issues. The Budget Office provided the Board with a general revenue target of \$4.7 million. The amount includes current service adjustments of \$3.3 million and a 10.0 percent target reduction of \$0.2 million, adjusted for certain exclusions. The Board did not submit a constrained request. *The Governor's budget is \$0.7 million more than the target provided by the Budget Office. Excluding funding for centralized services, the recommendation is \$0.5 million more than the target. The enacted budget is \$0.6 million more than the target.*

FY 2019 Budget	Budget Office		Board of Elections		Difference
FY 2018 Enacted	\$	1,548,735	\$	1,548,735	\$ -
Current Service Adjustments		3,262,998		3,636,169	373,171
New Initiatives		-		143,787	143,787
Change to FY 2018 Enacted	\$	3,262,998	\$	3,779,956	\$ 516,958
FY 2019 Current Service/Unconstrained Request	\$	4,811,733	\$	5,328,691	\$ 516,958
Target Reduction/Initiatives		(156,308)		-	156,308
FY 2019 Constrained Target/Request	\$	4,655,425	\$	5,328,691	\$ 673,266
Change to FY 2018 Enacted	\$	3,106,690	\$	3,779,956	\$ 673,266

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$42,566 from general revenues for FY 2019.**

Public Financing of Elections. The Board of Elections requested \$2.6 million from general revenues for the Matching Public Funds campaign finance program, required by Rhode Island General Law, Section 17-25-19. General officers are elected every four years, and the Board is responsible for administering and carrying out the mandates of the Campaign Contributions and Expenditures Act and the state's Matching Public Funds program. In FY 2015, the Board provided \$2,620,773 in matching public funds to seven candidates for the November 2014 election. While the Board is requesting nearly the same as the FY 2015 amount, the consumer price index numbers are released in January and the Board formulates the correct maximums once this information is received.

Candidates for General Office from each political party and independent candidates are eligible to receive two dollars of public funds for each qualified dollar of private funds contributed which do not exceed \$500 from a single source within an election cycle. Candidates will receive one dollar for each dollar contributed by a single source which exceeds \$500. The total amount of public funds provided to a candidate is adjusted every four years, based on the average consumer price index. For the November 2010 election, the funding limits were \$1,058,000 in matching funds for candidates for Governor and matching funds of \$264,300 for candidates for other general offices. To be eligible for matching funds, a candidate must sign a statement of oath pledging to comply with the limitations on campaign contributions and expenditures and with all terms and conditions of the statute. *The Governor recommended funding as requested.* **The Assembly concurred.**

Help America Vote Act – Election Security Upgrades. The federal Omnibus Appropriations Act signed into law March 23, 2018 includes \$380 million in Help America Vote Act funding for enhancements of election technology and security improvements. The Board, in conjunction with the Secretary of State, will be receiving \$3.0 million of that funding, which requires a \$150,000 state match and must be expended within five years. Applicable uses of these funds include cybersecurity enhancements, a post-election audit system, or other activities which will improve the security of elections for federal office.

The Governor's requested an amendment on May 18, 2018 which includes \$2.0 million in expenditures from this grant through the Secretary's office. Funding would support the upgrade of the central voter registration system, the implementation of cybersecurity and data recovery best practices, e-poll book resources, election administration grants for cities and towns, risk limiting audits, election day incident management software, mail ballot opening and scanning equipment, and polling place operational improvements. **The Assembly concurred.**

Other Election Expenses. The Board requested \$590,980 or \$431,980 more than enacted for election expenses in FY 2019. This includes \$190,000 for printing expenses, \$215,000 for delivery of voting machines, \$40,000 for increased campaign finance mailings, and \$91,600 for miscellaneous polling place expenses. The Board's request is \$251,980 more than the Budget Office's current service estimate and \$259,491 more than what the Board expended in FY 2017, also an on-year for the election cycle. The Board is expecting higher printing and delivery costs than in previous years resulting from the need for new training manuals for poll workers as well as a new voting machine delivery contract. *The Governor recommended \$8,000 more than requested to rent a vehicle to assist in the delivery of the newly leased e-poll books.* **The Assembly concurred.**

Election Telecommunications. The Board requested \$80,000 or \$60,000 more than enacted from general revenues to support telecommunications expenses related to the new voting machines. They have wireless transmission capabilities which require a contract from Verizon that was signed during FY 2017 and is a \$24,000 increase. An additional \$12,000 is included in the request to install more phone lines to support the increased volume of calls during the election season. The Board indicated that the remaining \$24,000 increase was requested in error, and the total amount should only be \$56,000. *The Governor recommended funding as requested; this includes the \$24,000 requested in error.* **The Assembly removed the excess \$24,000.**

Seasonal Staff. The Board of Elections requested \$403,688 for seasonal staff for the November 2018 election. The enacted budget does not include funding for seasonal staff to reflect that FY 2018 is an off-year in the two-year election cycle. The request is higher than historical expenses. The Board spent \$112,945 on seasonal staff in FY 2013, \$190,992 in FY 2015, and \$228,684 in FY 2017. In addition to usual voter turnout at the polls, the Board is expecting a higher than usual receipt of mail ballots which it is responsible for processing, as the Secretary of State is requesting to provide return postage for all mail ballots in FY 2019. Currently, only those who are in the military, living overseas, or are incapacitated are provided postage-paid mail ballot return envelopes. *The Governor recommended funding as requested.* **The Assembly reduced expenditures by \$0.1 million to reflect anticipated lower expenditures as a result of the purchase of equipment to automate the mail ballot process through the aforementioned Help America Vote Act Election Security Grant.**

E-poll Book Seasonal Staff. The Board requested \$42,387 for seasonal staff contingent upon the purchase of new e-poll books by the Secretary of State. New books would require additional temporary workers to train pollworkers as well as technicians for Election Day to handle issues with the e-poll books. While there is no request in the Secretary of State's budget submission for the purchase of these additional e-poll books, the Office indicated that it received approval from the Department of Administration in December 2017 to lease 1,400 e-poll books through the Information Technology Investment Fund. *The Governor recommended funding as requested.*

The Governor subsequently requested an amendment to add \$0.1 million and authorize 1.0 new position related to the e-poll books. The position would be responsible for the coordination and deployment of the books throughout the state, as well as information technology support, education and support programming, and vendor coordination. **The Assembly concurred.**

Other Salaries and Benefits. The Board of Elections requested \$1.3 million, or \$18,008 more than enacted from general revenues, for all other salaries and benefits to fully fund 12.0 full-time equivalent positions during FY 2019. The Board's request appears to be overstated as a result of an incorrect calculation of certain benefit costs. The Board is expecting to be fully staffed by December 2017 and remain so. The enacted budget includes no turnover savings; there were two vacancies at the time of the budget submission. *The Governor recommended \$4,215 less than requested. Included in the recommendation is \$2,914 more for statewide benefit adjustments offset by various technical corrections to the request. As of the pay period*

ending January 20, 2018, the Board had 2.0 vacant positions. **The Assembly reduced funding by \$0.1 million to reflect turnover equivalent to 1.0 position, offset by cost-of-living adjustments.**

Election Legal Services. The Board requested \$50,000 more than enacted from general revenues to provide legal services relating to elections. FY 2019 is an election year and the Board indicated this request includes election related legal work such as recounts, mail ballot certifications, and election related questions. The revised request is in line with FY 2017 spending and consistent with the FY 2018 revised request. It should be noted that the Board's revised request reflects a need for funding related to ongoing litigation with the former executive director. *The Governor recommended funding as requested.* **The Assembly concurred.**

Voting Machine Storage. The Board of Elections stores voting equipment at its location at 50 Branch Avenue and, because of limited storage capacity there, also occupies 10,350 square feet at the Cranston Street Armory. The Board requested \$120,000 for FY 2019 for new alternative storage space for its voting equipment currently stored at the Armory, noting that the State Fire Marshal's Office has expressed concerns about the amount of flammable and combustible materials the Board is storing at the Armory. The Board noted that the Division of Capital Asset Management and Maintenance is working on finding a new state owned location and this funding is being requested if that does not occur. The Board's revised request includes \$60,000 to fund half a year of storage. *The Governor did not concur with the proposal.* **The Assembly concurred.**

Voting Efficiency Project. The Board requested \$23,787 from general revenues for the second year of payment for the implementation of the results of a study conducted by the University of Rhode Island to increase efficiency at polling places. This item is not in the enacted budget but requested in the Board's revised request for FY 2018. The Board's initiative is a result of the Secretary of State's Election Task Force recommendation issued in April 2017 regarding problems with long and slow moving lines during the 2016 election. *The Governor did not provide funding from general revenues.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$0.1 million from general revenues for the Board for its share of centralized services. This includes \$74,427 for facilities management and \$54,801 from general revenues for information technology services.* **The Assembly concurred.**

Other Expenses. The Board requested \$42,480 from general revenues for other expenses, \$7,250 more than enacted. Of the increase, \$4,850 reflects travel costs for employees to attend Certified Election Registration Administrator classes and observe post-election risk audits in other states. The request is a result of the passage 2017-H 5704, Substitute A which requires the Board to conduct post-election audits and was signed into law on October 5, 2017. The request also includes \$2,000 more for stenographic services for board meetings to ensure the validity of meeting minutes and compliance with the open meetings act. The remainder of the increase is minor adjustments to general office supplies. The request is \$4,000 less than the Board's revised request for FY 2018. *The Governor recommended \$40,080, or \$2,400 less than requested, to reflect actual dues, fees, and insurance costs from FY 2017. These savings are not included in the Governor's revised recommendation.* **The Assembly concurred.**

Rhode Island Ethics Commission

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,457,159	\$ 1,428,699	\$ 1,491,090	\$ 1,532,767
Contracted Services	32,001	57,001	57,001	57,001
Subtotal	\$ 1,489,160	\$ 1,485,700	\$ 1,548,091	\$ 1,589,768
Other State Operations	172,387	217,793	218,143	218,143
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	4,326	4,326	4,326	4,326
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,665,873	\$ 1,707,819	\$ 1,770,560	\$ 1,812,237
Sources of Funds				
General Revenue	\$ 1,665,873	\$ 1,707,819	\$ 1,770,560	\$ 1,812,237
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,665,873	\$ 1,707,819	\$ 1,770,560	\$ 1,812,237
FTE Authorization	12.0	12.0	12.0	12.0

Summary. The Rhode Island Ethics Commission requested FY 2019 expenditures of \$1.7 million, which is \$55,388 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 \$180,164, or 10.5 percent, less from general revenues than the unconstrained request.

The Governor recommended \$1.8 million from general revenues, which is \$0.1 million more than enacted and \$49,299 more than requested. Excluding centralized services expenses transferred from the Department of Administration, the recommendation is \$3,543 less than requested. She recommended staffing consistent with the authorized level. As of the pay period ending January 20, all the Commission's authorized positions were filled. The Assembly provided \$1.8 million from general revenues, including \$41,677 for cost-of-living adjustments and staffing at the enacted level.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$41,677 from general revenues for FY 2019.**

Target Issues. The Budget Office provided the Ethics Commission with a general revenue target of \$1.5 million, including current service adjustments of \$11,308 and a 10.0 percent reduction of \$157,472.

The constrained budget submitted by the agency is \$21,388 above the Budget Office target, achieved by the elimination of 2.8 full-time equivalent positions. *The Governor's recommendation is \$205,095 more than the target, adjusted for centralized services expenses.* **The enacted budget is \$0.3 million above the target.**

FY 2019 Budget	Ethics		Difference
	Budget Office	Commission	
FY 2018 Enacted	\$ 1,665,873	\$ 1,665,873	\$ -
Current Service Adjustments	11,308	55,388	44,080
Change to FY 2018 Enacted	\$ 11,308	\$ 55,388	\$ 44,080
FY 2019 Current Service/Unconstrained Request	\$ 1,677,181	\$ 1,721,261	\$ 44,080
Target Reduction/Initiatives	(157,472)	(180,164)	(22,692)
FY 2019 Constrained Target/Request	\$ 1,519,709	\$ 1,541,097	\$ 21,388
<i>Change to FY 2018 Enacted</i>	\$ (146,164)	\$ (124,776)	\$ 21,388

Salaries and Benefits. The Commission requested \$1.5 million, which is \$27,046 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 step increases for two positions and benefits consistent with the Budget Office's planning values. As of the pay period ending October 7, 2017, all positions were filled.

The Commission included personnel savings of \$180,164 in its constrained request. This savings would have been achieved by eliminating funding for the research aide and administrative assistant positions, and reducing funding for an investigator position by nearly 81 percent; all positions are currently filled.

The Governor recommended \$6,885 more than the unconstrained request to reflect statewide benefit adjustments. **The Assembly concurred and included funding for cost-of-living-adjustments.**

Legal Services. The Commission requested \$45,726 for legal services, which is \$25,000 more than enacted and consistent with its revised request. The Commission reported that it had two new litigation matters pending in Rhode Island Superior Court. The matters included challenges to its constitutional authority to enforce the state's Code of Ethics and to its regulatory authority. The Commission anticipated that its expenses for independent legal counsel would double in the current year due to these cases, and reported that additional resources may be required for FY 2019 if the matters are not resolved. *The Governor recommended funding as requested.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$45,756 from general revenues for the Commission's share of centralized information technology services.* **The Assembly concurred.**

All Other Operations. The Commission requested \$191,330 from general revenues for other operations. More than half of this, or \$102,500, is rent paid for office space; the request is \$3,342 more than enacted. The request includes \$2,000 more for records center costs in order to begin shredding old files, \$1,042 more for subscription fees for legal resources, and \$300 more for telephone costs reflecting actual FY 2017 expenditures. The request is consistent with the revised FY 2018 request. *The Governor recommended funding consistent with the enacted budget.* **The Assembly concurred.**

Office of the Governor

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 4,861,187	\$ 4,896,132	\$ 4,923,102	\$ 5,060,421
Contracted Services	500	1,000	500	500
Subtotal	\$ 4,861,687	\$ 4,897,132	\$ 4,923,602	\$ 5,060,921
Other State Operations	265,967	420,955	355,026	355,026
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,000	150,000	250,000	200,000
Capital	19,900	17,100	17,100	17,100
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 5,397,554	\$ 5,485,187	\$ 5,545,728	\$ 5,633,047
Sources of Funds				
General Revenue	\$ 5,397,554	\$ 5,485,187	\$ 5,545,728	\$ 5,633,047
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 5,397,554	\$ 5,485,187	\$ 5,545,728	\$ 5,633,047
FTE Authorization	45.0	45.0	45.0	45.0

Summary. The Office of the Governor requested FY 2019 expenditures of \$5.4 million from general revenues and staffing of 45.0 full-time equivalent positions. This is \$38,993 more than enacted and staffing consistent with the authorized level. Adjusted for an increase in personnel costs allocated to other agencies, the request is \$0.1 million more than enacted.

The Governor recommended \$5.5 million from general revenues, which is \$148,174 more than enacted and \$109,181 more than requested. Excluding centralized services transferred from the Department of Administration, the increase to the enacted budget is \$61,915. She recommended staffing consistent with the authorized level. As of the pay period ending January 20, the Office had 7.0 positions vacant. The Assembly provided \$5.6 million from general revenues, including \$0.1 million for cost-of-living adjustments and staffing at the enacted level.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.1 million from general revenues for FY 2019.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$4.9 million. The amount includes current service adjustments of \$38,993, and a 10.0 percent target reduction of \$0.5 million.

The Office of the Governor did not submit a constrained budget. The request is \$0.5 million more than the target. *The Governor's recommendation is \$0.6 million more than the target, adjusted for centralized services expenses. The enacted budget is \$0.7 million above the target.*

FY 2019 Budget	Budget Office	Office of the Governor	Difference
FY 2018 Enacted	\$ 5,397,554	\$ 5,397,554	\$ -
Current Service Adjustments	38,993	38,993	-
Change to FY 2018 Enacted	\$ 38,993	\$ 38,993	\$ -
FY 2019 Current Service/ Unconstrained Request	\$ 5,436,547	\$ 5,436,547	\$ -
Target Reduction/Initiatives	(543,655)	-	543,655
FY 2019 Constrained Target/Request	\$ 4,892,892	\$ 5,436,547	\$ 543,655
<i>Change to FY 2018 Enacted</i>	<i>\$ (504,662)</i>	<i>\$ 38,993</i>	<i>\$ 543,655</i>

Staff Allocation to Other Agencies. The Office's request lowered direct expenditures by \$0.8 million from general revenues by allocating personnel expenditures to other state agencies, \$0.1 million more than enacted. The Office reported that it provides staff support to agencies for various initiatives, such as Real Jobs RI, RhodeWorks, and RI Promise. It proposed allocating the cost of these staff to the agencies to reflect time spent on these initiatives. The proposal shifts some personnel costs to the Departments of Administration, Elementary and Secondary Education, Labor and Training, Public Safety, Revenue, and Transportation, as well as Executive Office of Commerce, Executive Office of Health and Human Services, the Public Utilities Commission, and the Office of Postsecondary Commissioner. The enacted budget assumes cost allocations equivalent to 5.3 full-time positions; the request proposes allocating costs equivalent to 5.8 positions, or 0.5 more than enacted. *The Governor recommended funding as requested. The Assembly did not concur and adjusted funding in the appropriate agencies accordingly.*

Other Salaries and Benefits. Excluding staff allocations noted above, the Office requested \$5.7 million from general revenues for salary and benefit expenses for the remaining 39.2 full-time equivalent positions. This is \$0.1 million or 1.7 percent more than enacted and staffing consistent with the authorized level. The request would fund 35.7 full-time equivalent positions. This reflects a \$55,147 reduction to turnover savings and \$38,993 for employee benefit rate adjustments. *The Governor recommended \$22,922 more than requested to reflect statewide benefit adjustments. The Assembly concurred and included funding for cost-of-living adjustments.*

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 \$89,744. *The Governor recommended funding as requested. The Assembly provided \$50,000 less than recommended.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget added \$86,259 from general revenues for the Office's share of centralized information technology services. The Assembly concurred.*

All Other Operations. Consistent with the enacted budget and revised request, the Office requested FY 2019 expenditures of \$0.3 million from general revenues for all other operations. *The Governor recommended funding as requested. The Assembly concurred.*

Rhode Island Commission for Human Rights

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,409,431	\$ 1,383,648	\$ 1,466,790	\$ 1,491,775
Contracted Services	9,250	7,350	8,475	8,475
Subtotal	\$ 1,418,681	\$ 1,390,998	\$ 1,475,265	\$ 1,500,250
Other State Operations	271,421	327,796	332,761	332,761
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,690,102	\$ 1,718,794	\$ 1,808,026	\$ 1,833,011
Sources of Funds				
General Revenue	\$ 1,258,074	\$ 1,273,387	\$ 1,310,456	\$ 1,335,441
Federal Aid	432,028	445,407	497,570	497,570
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,690,102	\$ 1,718,794	\$ 1,808,026	\$ 1,833,011
FTE Authorization	14.5	14.5	14.5	14.5

Summary. The Commission for Human Rights requested FY 2019 expenditures of \$1.8 million, which is \$0.1 million more than the FY 2018 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 \$1.2 million from general revenues.

*The Governor recommended \$1.8 million from all funds, which is \$43,421 more than the unconstrained request and shifted staffing costs from general revenues to available federal funds. Excluding centralized services transferred from the Department of Administration, the recommendation is \$78,644 more than enacted, including \$13,102 more from general revenues. **The Assembly added \$24,985 from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

Target Issues. The Budget Office provided the Commission with a general revenue target of \$1.2 million. The amount includes current service adjustments of \$13,610 and a 10.0 percent target reduction of \$0.1 million. The Commission's constrained budget is \$1,114 above the target.

The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the Governor's budget is \$0.1 million more than the target. **The enacted budget is \$0.1 million above the target.***

FY 2019 Budget	Budget Office	Commission for Human Rights	Difference
FY 2018 Enacted	\$ 1,258,074	\$ 1,258,074	\$ -
Current Service Adjustments	13,610	137,108	123,498
Change to FY 2018 Enacted	\$ 13,610	\$ 137,108	\$ 123,498
FY 2019 Current Service/Unconstrained Request	\$ 1,271,684	\$ 1,395,182	\$ 123,498
Target Reduction/Initiatives	(107,195)	(229,579)	(122,384)
FY 2019 Constrained Target/Request	\$ 1,164,489	\$ 1,165,603	\$ 1,114
<i>Change to FY 2018 Enacted</i>	\$ (93,585)	\$ (92,471)	\$ 1,114

Federal Receipts. The Commission’s budget request assumes federal funds to be spent in FY 2019 totaling \$369,423. The enacted budget includes expenses totaling \$432,028 from federal funds. The revised request includes \$447,523, which is \$15,495 more than enacted. Accounting for the revised request, the projected surplus at the end of FY 2019 would be \$249,430. *The Governor’s budget includes \$497,570 from federal sources, which is \$128,147 more than requested based on availability of federal receipts.* **The Assembly concurred.**

Personnel Shift to General Revenues. The Commission requested a shift of \$79,215 of salary and benefit costs to general revenues from federal funds. The shift is associated with 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. The enacted budget funded the pay increases exclusively from federal funds. The Commission reports that federal contracts place restrictions on what expenses can be charged to federal funds, and it requests that pay increases attributable to positions funded from general revenues be funded from this source. *The Governor did not include the shift to general revenues.* **The Assembly concurred.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget did not include any funding set aside for the result of contract negotiations.* **The Assembly included \$24,985 for the Commission for FY 2019.**

Other Salaries and Benefits. The Commission requested \$1.2 million from general revenues for other salaries and benefits. This is \$52,571 more than the FY 2018 enacted budget. As of November 2017, the Commission had 14.0 filled full-time equivalent positions, which is 0.5 fewer positions than authorized. This reflects current service adjustments and updated employee benefit selections. The request assumes the same enacted budget turnover savings, which primarily reflects an unfunded 0.5 full-time equivalent senior compliance officer position.

The Commission’s constrained request includes \$229,579 less from general revenues achieved by eliminating 3.0 positions. The Commission estimates that its federal funds would decrease by \$162,527 for FY 2019 if its constrained budget proposal is enacted. The decrease in federal reimbursements would necessitate an additional 1.4 full-time equivalent reduction of positions presently funded from federal funds.

The Governor recommended \$4,788 more from all sources than the unconstrained request reflecting adjustments to benefit calculations, and she shifts staffing costs from general revenues to available federal funds. As of the pay period ending January 20, the Commission had 14.0 filled positions. **The Assembly added \$24,985 from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the staffing recommendation.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$39,280 from general revenues for the Commission's share of centralized information technology services.* **The Assembly concurred.**

Other Expenses. The Commission requested \$0.3 million for all other expenses such as rent. This includes \$241,968 from general revenues and \$60,635 from federal funds. The request is \$21,932 more than enacted, including \$5,322 more from general revenues and reflects estimates for projected expenditures consistent with the FY 2018 revised request, including interpreters and lease related costs. *The Governor recommended \$647 less than requested from general revenues to reflect an adjustment to computer related expenses.* **The Assembly concurred.**

Public Utilities Commission

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 6,288,381	\$ 6,126,634	\$ 7,248,598	\$ 6,604,281
Contracted Services	1,651,075	1,990,525	2,045,525	1,990,525
Subtotal	\$ 7,939,456	\$ 8,117,159	\$ 9,294,123	\$ 8,594,806
Other State Operations	1,126,887	1,234,101	1,263,082	1,240,025
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	4,200	-
Capital	70,000	70,000	100,000	100,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 9,136,343	\$ 9,421,260	\$ 10,661,405	\$ 9,934,831
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	129,225	165,593	168,378	168,378
Restricted Receipts	9,007,118	9,255,667	10,493,027	9,766,453
Other	-	-	-	-
Total	\$ 9,136,343	\$ 9,421,260	\$ 10,661,405	\$ 9,934,831
FTE Authorization	51.0	51.0	57.0	53.0

Summary. The Public Utilities Commission requested FY 2019 expenditures of \$10.6 million, which is \$1.5 million more than enacted from all sources including \$38,668 more from federal funds and \$1.4 million more from restricted receipts. Restricted receipts are generated from billing the regulated utilities for the expenses of both the Public Utilities Commission and the Division of Public Utilities and Carriers. The Commission requested 59.0 full-time equivalent positions, 8.0 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 recommended \$10.7 million from all sources and 57.0 full-time equivalent positions. This is \$1.5 million more than enacted and \$58,290 more than requested. The staffing authorization is 6.0 more than enacted to reflect the transfer of the Water Resources Board to the Commission and 3.0 of the new positions the Commission requested. Excluding the cost of centralized services transferred from the Department of Administration, the recommendation is \$1.4 million more than enacted. **The Assembly provided \$9.9 million from all sources and 53.0 full-time equivalent positions.***

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million.*

*The transfer of the Water Resources Board from the Department of Administration to the Public Utilities Commission is a measure to achieve \$0.4 million of the savings in both FY 2018 and FY 2019. A Memorandum of Understanding, signed on October 20, 2017, between the Department of Administration and the Public Utilities Commission is being used to allow the transfer for FY 2018. Article 3 of the Governor's recommended budget transfers the Board effective FY 2019. **The Assembly did not concur with the transfer.***

Water Resources Board (3.0 FTE). The Water Resources Board is currently in the Department of Administration's budget with 3.0 full-time equivalent positions and a general revenue funded budget of \$0.4 million. *Consistent with the FY 2018 revised recommendation, the Governor proposed to transfer the Board to the Public Utilities Commission for general revenue savings in the Department of Administration's budget. Operating costs for the Water Resources Board would be charged to regulated utilities. The Public Utilities Commission currently regulates six water suppliers. The recommendation is \$0.2 million more than enacted for the Board to fully-fund its 3.0 full-time equivalent positions. **The Assembly did not concur with the transfer and maintained funding and the 3.0 employees in the budget of the Department of Administration.***

Legal Counsel (2.0 FTE). The Commission requested \$229,755 from restricted receipts assessed to the regulated utilities and authorization for 1.0 new full-time senior legal counsel position and 1.0 full-time legal counsel position for the Division. The Commission reported that the Division has experienced an increase in consumer, administrative and court proceedings, necessitating new staff in the legal department. The Division's management also wishes to increase the legal department to work on a power sector transformation and grid modernization initiative. *The Governor did not recommend funding or staffing. **The Assembly concurred.***

Consumer Agent (1.0 FTE). The Division requested \$73,740 from restricted receipts assessed to the regulated utilities and authorization for 1.0 new full-time consumer agent position. Currently, the Division has 4.0 consumer agents, and the Commission reports that adding a new consumer agent position will enable it to answer customer requests for information and investigate complaints in a timely manner. The section fields approximately 24,000 phone calls annually from utility consumers regarding various utility issues and regulations. *The Governor did not recommend funding or staffing. **The Assembly concurred.***

Programming Services Officers (2.0 FTE). The Division requested \$215,104 from restricted receipts assessed to the regulated utilities and authorization for 2.0 new full-time consumer agent positions. According to the Division, these positions are necessary to conduct research and data collection for analytics contributing to a strategic plan for clean energy and public utility initiatives. The Division reported that it has conducted an agency-wide reorganization to increase regulatory research and analysis for issues such as the changing distribution system, new clean energy resource standards, and power sector transformation initiatives. *The Governor recommended funding and staffing as requested. **The Assembly concurred.***

Associate Administrator Consumer Affairs (1.0 FTE). The Division requested \$126,366 from restricted receipts assessed to the regulated utilities and authorization for 1.0 new full-time associate administrator position. The Division reported this position would supervise the consumer and engineering sections of the Division. It would also develop solutions to engineering issues and coordinate a community education program to inform consumers about the Division's purpose and operations. The position would also be responsible for coordinating required public utility reporting and other necessary activities in preparation for rate hearings. *The Governor recommended funding and staffing as requested. **The Assembly did not concur with the funding or the new position.***

Regulatory Research Specialist (1.0 FTE). The Commission requested \$86,707 from restricted receipts assessed to the regulated utilities and authorization for 1.0 new full-time regulatory research specialist

position for the Division. 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 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. This position was requested as part of the FY 2018 budget request. The Governor recommended the funding and staffing as requested, but the Assembly did not concur. *The Governor did not recommend funding or staffing.* **The Assembly concurred.**

Administrative Assistant (1.0 FTE). The Commission requested \$84,339 from restricted receipts assessed to the regulated utilities and authorization for 1.0 new full-time administrative assistant position for the Commission. The Commission reported that it currently has 1.0 administrative assistant, but that an additional administrative assistant would help the Commission to be more efficient. 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 is anticipating increased activity related to the Energy Facilities Siting Board, rate modernization, and grid modernization. This position was requested as part of the FY 2018 budget request and the Governor recommended it, but the Assembly did not concur. *The Governor did not recommend funding or staffing.* **The Assembly concurred.**

Cost Allocation for Governor's Office Position. The Office of the Governor reports that it provides staff support to agencies for various initiatives, such as Real Jobs RI, RhodeWorks, and RI Promise. It proposed allocating the cost of these staff to the agencies to reflect time spent on these initiatives. The Office's request includes a proposal to allocate personnel expenditures for positions within the Governor's Office to other state agencies. *The Governor's budget includes \$25,451 from restricted receipts for a quarter of the cost of a policy advisor employee in the budget of the Public Utilities Commission.* **The Assembly did not concur and removed the funding.**

Other Salaries and Benefits. The Commission requested \$6.5 million, which is \$0.3 million more than enacted from all sources for all other salary and benefit expenses for the remaining 51.0 positions. The request fully funds the projected cost of all positions and current service adjustments consistent with Budget Office planning values. It restores nearly \$0.2 million of turnover savings included in the enacted budget. In FY 2017, the Commission averaged 47.6 filled positions. As of the pay period ending November 11, 2017, the Commission had 2.0 vacant positions.

The Governor recommended \$0.1 million more than enacted and \$0.1 million less than requested. Of the increase to the enacted budget, \$42,945 reflects statewide adjustments. **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$90,324 from restricted receipts for the Public Utilities Commission's share of centralized information technology services. **The Assembly concurred.**

Rate Case Reserve Account. The Commission requested \$1.4 million from restricted receipts for expenses incurred for hearings and investigations of rate case applications and other filings. This is \$250,000 more than enacted and consistent with the Commission's revised request to budget the entire amount permitted

by law. 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 Commission consistently requests the full amount permitted by statute, but rarely expends that amount. It spent \$0.5 million in FY 2016 and \$0.8 million in FY 2017. The Commission reported that it overestimates the amount needed as it cannot predict the number of rate cases in a given year; however, National Grid electric and gas will have rate cases in FY 2018, so expenditures may be higher than in previous years. *The Governor recommended funding as requested.* **The Assembly concurred.**

Energy Facility Siting Board. Consistent with its revised request, the Commission included \$0.2 million from restricted receipts to support the work of the Energy Facility Siting Board for FY 2019, which would be in line with FY 2017 spending; it is \$0.1 million more than spent in FY 2016. 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 budget request represents a billing cap; applicants are only billed for actual costs. *The Governor recommended funding as requested.* **The Assembly concurred.**

Electric Vehicle. The Commission requested \$30,000 from restricted receipts for a new electric vehicle. According to the Commission, it has several older vehicles in its fleet which have become costly to maintain and purchasing a new vehicle would be more cost effective. Additionally, the Commission installed four electric vehicle charging stations at its 89 Jefferson Boulevard building, so it is able to charge an electric vehicle. While there are no vehicle purchases planned for FY 2018, the Commission did spend \$25,991 in FY 2016 and \$21,777 in FY 2017. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Commission requested \$1.6 million from all sources, which is \$12,264 more than enacted from all sources for all other expenditures. This includes \$5,000 more from federal funds from the gas pipeline safety program consistent with the FY 2018 revised request, and \$7,264 more from restricted receipts. The Commission requested \$25,000 more for financial services and \$22,900 more for travel-related expenses, which is partially offset by a reduction of \$15,000 for information technology services, \$10,000 for outside legal services, and \$11,236 for other expenses, and more consistent with FY 2017 spending. *The Governor recommended funding as requested.* **The Assembly concurred.**

Executive Office of Health and Human Services

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 132,875,297	\$ 171,762,718	\$ 140,260,397	\$ 136,389,486
Medical Assistance	2,408,966,599	2,438,398,591	2,337,008,765	2,470,573,254
Total	\$ 2,541,841,896	\$ 2,610,161,309	\$ 2,477,269,162	\$ 2,606,962,740
Expenditures by Category				
Salaries and Benefits	\$ 23,662,548	\$ 27,283,698	\$ 31,810,727	\$ 31,534,873
Contracted Services	77,443,647	105,219,057	75,069,720	71,974,663
Subtotal	\$ 101,106,195	\$ 132,502,755	\$ 106,880,447	\$ 103,509,536
Other State Operations	7,976,205	10,193,832	9,469,725	9,469,725
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,431,832,538	2,466,899,094	2,360,829,105	2,493,893,594
Capital	926,958	565,628	89,885	89,885
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,541,841,896	\$ 2,610,161,309	\$ 2,477,269,162	\$ 2,606,962,740
Sources of Funds				
General Revenue	\$ 964,299,956	\$ 979,459,704	\$ 935,907,193	\$ 982,916,072
Federal Aid	1,558,325,403	1,604,891,225	1,520,865,981	1,605,800,743
Restricted Receipts	19,216,537	25,810,380	20,495,988	18,245,925
Other	-	-	-	-
Total	\$ 2,541,841,896	\$ 2,610,161,309	\$ 2,477,269,162	\$ 2,606,962,740
FTE Authorization	285.0	285.0	295.0	192.0

Summary. The Executive Office requested \$2,706.3 million from all sources including \$1,013.4 million from general revenues, \$1,672.5 million from federal funds and \$20.5 million from restricted receipts and a staffing level of 285.0 in its current services request. The request is \$164.5 million more than enacted, including \$49.1 million more from general revenues, \$114.1 million more from federal funds and \$1.3 million more from restricted receipts.

The Executive Office's constrained request lowers medical assistance expenditures by \$64.3 million from all sources, including \$27.7 million from general revenues and \$36.7 million from federal funds. It does not make any reductions in the Central Management program.

The Governor recommended expenditures of \$2,477.3 million from all sources, including \$935.9 million from general revenues. This is \$64.6 million less than enacted and \$229.1 million less than requested from all sources. It is \$28.4 million less than enacted and \$77.5 million less than requested from general revenues. Excluding expenses for centralized services transferred from the Department of Administration, the recommendation is \$66.3 million less than enacted and \$230.6 million less than requested. The Governor recommended 10.0 new positions to implement her proposed changes in the Medical Assistance program.

The Assembly provided \$2,606.7 million from all sources, including \$982.9 million from general revenues, \$1,605.8 million from federal funds and \$18.2 million from restricted receipts. This is \$129.7 million more than originally recommended, including \$47.0 million more from general revenues, \$84.9 million more from federal funds and \$2.3 million less from restricted receipts.

The Assembly included 192.0 positions which is 103.0 less than recommended. This reverses the transfer of 91.0 finance positions from the umbrella agencies that were included in the FY 2018 enacted budget. The funding for staff remains with the sending agencies in the Governor's recommended budget making it difficult to analyze staffing patterns. The Assembly also eliminated 10.0 vacant positions and 2.0 positions from a Medicaid proposal that was not accepted.

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 \$932.5 million. The amount includes current service adjustments of \$49.3 million and a 10.0 percent target reduction of \$81.1 million.

FY 2019 Budget	Ex. Office of Health		
	Budget Office	& Human Services	Difference
FY 2018 Enacted	\$ 964,299,956	\$ 964,299,956	\$ -
Current Service Adjustments	49,329,813	49,075,764	(254,049)
Change to FY 2018 Enacted	\$ 49,329,813	\$ 49,075,764	\$ (254,049)
FY 2019 Current Service/Unconstrained Request	\$ 1,013,629,769	\$ 1,013,375,720	\$ (254,049)
Target Reduction/Initiatives	(81,098,470)	(27,694,943)	53,403,527
FY 2019 Constrained Target/Request	\$ 932,531,299	\$ 985,680,777	\$ 53,149,478
Change to FY 2018 Enacted	\$ (31,768,657)	\$ 21,380,821	\$ 53,149,478

The constrained budget submitted by the agency is \$53.1 million above the target. The proposals to achieve the reductions are noted among the items described where appropriate. The budget includes savings of \$13.0 million, including \$5.6 million from general revenues, from five proposals also included in the revised request to meet the \$25.0 million in undistributed savings included in the enacted budget. *The Governor's recommendation is \$2.5 million above the target, excluding centralized services. The enacted budget is \$50.4 million above the target.*

Medicaid Expenses - State/National Comparison. The following table compares national and state 2012 Medicaid spending using the Medicaid and Children's Health Insurance Program Payment and Access Commission (MACPAC) MACStats Data Book (December 2015). The updated MACStats Data Book (December 2016 and 2017) includes national and state 2013 spending; however, information for Rhode Island is not listed because as footnoted: *State was excluded due to data reliability concerns regarding completeness of monthly claims and enrollment data.*

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				
Population	All Enrollees		Full Benefit Enrollees	
	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 2013

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 2018 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income								
Family Size	100%	138%	150%	175%	180%	185%	200%	250%
1	\$ 12,140	\$ 16,753	\$ 18,210	\$ 21,245	\$ 21,852	\$ 22,459	\$ 24,280	\$ 30,350
2	16,460	22,715	24,690	28,805	29,628	30,451	32,920	41,150
3	20,780	28,676	31,170	36,365	37,404	38,443	41,560	51,950
4	25,100	34,638	37,650	43,925	45,180	46,435	50,200	62,750
5	29,420	40,600	44,130	51,485	52,956	54,427	58,840	73,550
6	33,740	46,561	50,610	59,045	60,732	62,419	67,480	84,350
7	38,060	52,523	57,090	66,605	68,508	70,411	76,120	95,150
8	42,380	58,484	63,570	74,165	76,284	78,403	84,760	105,950

For families with more than 8 members, add \$4,320 for each additional member for the 100 percent calculation.

Caseload Estimating Conference. The medical and caseload assistance caseload estimating conference, as outlined in Rhode Island General Law, Chapter 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 program, general public assistance, and child care. The separate agencies report a preliminary estimate in testimony, which forms the basis for the caseload 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 Conference adopted estimate is the starting point for the Governor's revised and budget year recommendations. Any changes made in the Governor's budgets for either medical or cash assistance to the estimate must represent a status or policy change not contemplated in the current law estimate. Any expenditure changes in the May estimate are incorporated into the final appropriation adjusting for any changes made by the Assembly.

Medicaid Extension Waiver. The 2013 Assembly enacted Sections 3 and 6 of 2013-H 5127, Substitute A, as amended to allow the Office to apply for an extension or renewal of the global waiver or apply for any new waiver or waivers that at a minimum provide for continuation of any waiver authority that the state had before the global waiver. The Rhode Island Global Consumer Choice Compact Waiver, or Medicaid Global Waiver, was approved by the Centers for Medicare and Medicaid Services on January 16, 2009. The global waiver established a new federal-state agreement that provided Rhode Island with the flexibility to provide services in the least restrictive, most cost-effective way to meet the needs of its citizens. The waiver was in effect from January 16, 2009 through December 31, 2013. The state applied for its extension on March 12, 2013 and later amended the application on July 10, 2013 for changes made to the Medicaid program by the 2013 Assembly. The Rhode Island Demonstration Waiver was approved on December 23, 2013 and is in effect until December 31, 2018. *The Governor included Article 14 to seek Assembly approval to extend the Medicaid waiver another five years until December 31, 2023. The Assembly passed Section 7 of Article 13 for the extension.*

Medical Assistance

The Caseload Estimating Conference met on November 7, 2017 and based on current law set the FY 2019 medical assistance expenditures at \$2,459.5 million, including \$1,003.7 million from general revenues, which is \$93.1 million more than enacted from all sources, including \$66.4 million more from general revenues. The following table itemizes medical assistance expenditures in FY 2017, as enacted by the 2017 Assembly, adopted by the caseload estimators, recommended by the Governor and enacted by the 2018 Assembly. Each category is discussed separately.

Medical Assistance	FY 2017 Spent	FY 2018 Enacted	FY 2018 Final	FY 2019 Gov. Rec.	FY 2019 May CEC	FY 2019 Enacted
Hospitals						
Regular Payments	\$ 48.8	\$ 58.3	\$ 53.0	\$ 37.3	\$ 50.0	\$ 52.6
DSH Payments	138.1	139.7	139.7	106.2	138.6	138.6
Total	\$ 186.9	\$ 198.0	\$ 192.7	\$ 143.5	\$ 188.6	\$ 191.2
Long Term Care						
Nursing and Hospice Care	\$ 195.6	\$ 178.8	\$ 193.0	\$ 185.0	\$ 196.0	\$ 313.8
Home and Community Care	53.2	59.9	50.5	54.1	57.1	82.5
Total	\$ 248.8	\$ 238.7	\$ 243.5	\$ 239.1	\$ 253.1	\$ 396.3
Managed Care						
Rlte Care	\$ 611.6	\$ 620.5	\$ 645.4	\$ 629.2	\$ 679.4	\$ 658.5
Rlte Share	7.3	6.9	7.2	6.8	6.8	6.8
Fee For Service	62.2	63.1	64.6	69.6	66.8	66.8
Total	\$ 681.2	\$ 690.5	\$ 717.2	\$ 705.7	\$ 753.0	\$ 732.1
Rhody Health Partners	\$ 228.4	\$ 236.3	\$ 231.2	\$ 236.5	\$ 248.6	\$ 258.1
Medicaid Expansion	\$ 438.6	\$ 478.5	\$ 469.1	\$ 437.8	\$ 480.6	\$ 469.2
Rhody Health Options	\$ 352.2	\$ 355.3	\$ 369.9	\$ 362.3	\$ 393.0	\$ 192.6
Pharmacy	\$ (4.9)	\$ (1.4)	\$ (0.8)	\$ (1.4)	\$ (0.7)	\$ (0.5)
Pharmacy Part D Clawback	\$ 59.1	\$ 63.4	\$ 64.0	\$ 63.8	\$ 66.0	\$ 66.0
Other Medical Services	\$ 103.0	\$ 107.1	\$ 109.0	\$ 106.5	\$ 112.5	\$ 122.6
Federal Funds	\$ 1,364.0	\$ 1,417.9	\$ 1,431.8	\$ 1,376.9	\$ 1,499.4	\$ 1,464.3
General Revenues	918.4	937.3	952.8	905.8	986.2	954.3
Restricted Receipts	11.0	11.3	11.3	11.3	9.0	9.0
Total*	\$ 2,293.4	\$ 2,366.5	\$ 2,395.9	\$ 2,294.0	\$ 2,494.7	\$ 2,427.5

*Expenditures in millions

The Executive Office submitted an FY 2019 constrained request of \$2,468.3 million, of which \$958.9 million is from general revenues. This is \$64.3 million less than requested from all sources and \$27.7

million less from general revenues in the medical assistance program. The constrained request is also \$8.8 million less than the adopted estimate, including \$44.7 million less from general revenues.

The following table shows the requested changes by program and the Governor’s recommendation.

Program	Constrained Budget Savings		Governor's Recommendation	
	General Revenues	Total	General Revenues	Total
Hospitals	\$ (1.2)	\$ (2.5)	\$ (9.4)	\$ (17.7)
Long Term Care	(9.5)	(19.6)	(10.9)	(16.6)
Managed Care	(6.2)	(12.8)	(51.1)	(47.3)
Rhody Health Partners	(3.5)	(7.3)	(10.8)	(22.7)
Rhody Health Options	(4.6)	(9.4)	(11.2)	(23.7)
Medicaid Expansion	(0.6)	(9.5)	(2.2)	(34.2)
Other Medical Services	(2.1)	(3.3)	(2.2)	(3.5)
Total	\$ (27.7)	\$ (64.3)	\$ (97.9)	\$ (165.6)

Note: There are 13 proposals with 10 that impact multiple programs; each proposal is discussed in the appropriate section/ total in millions

The Executive Office’s request includes 13 savings proposals that impact the Medical Assistance program. Several of the initiatives impact only one program, but \$59.6 million, including \$25.3 million from general revenues, of the savings initiatives impact multiple programs, including hospitals, long term care, Rlite Care, Rhody Health Partners, Medicaid expansion and Rhody Health Options. The Executive Office’s request includes savings of \$38.5 million from all funds, including \$16.1 million from general revenues from rate freezes to nursing facilities, hospitals and 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		Other Medical Services		Total		Governor's Action	Assembly v. Governor
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total		
Nursing Facilities Rate Freeze	\$ -	\$ -	\$ (6.7)	\$(13.8)	\$ (2.0)	\$(4.1)	\$ -	\$ -	\$ (8.6)	\$(17.8)	Accepted	Did not concur
Long Term Care Services Support Eligibility/Estate Recovery	-	-	(1.3)	(2.8)	(0.7)	(1.4)	(0.4)	(0.8)	(2.4)	(4.9)	Accepted	Partially Concurring
Sullivan/Perry	-	-	(1.5)	(3.1)	(1.5)	(3.1)	-	-	(3.0)	(6.2)	Accepted	Concurring
Managed Care Administrative Rate	-	-	-	-	(0.6)	(1.6)	-	-	(0.6)	(1.6)	Accepted	Concurring
Managed Care Reimbursements - Medical Component	-	-	-	-	[(14.9)]	[(44.0)]	-	-	[(14.9)]	[(44.0)]	Recommended	Partially Concurring
Co-Payments for Adults	-	-	-	-	[(3.2)]	[(10.9)]	-	-	[(3.2)]	[(10.9)]	Recommended	Did not concur
Managed Care Reimbursements - Reserve	-	-	-	-	[(6.9)]	[(20.5)]	-	-	[(6.9)]	[(20.5)]	Recommended	Did not concur
Non-Emergency Transportation Services	-	-	-	-	(0.01)	(0.2)	(0.7)	(1.5)	(0.7)	(1.7)	Accepted*	Concurring
Hospital Rate Freeze	(1.2)	(2.5)	-	-	(5.6)	(16.6)	-	-	(6.8)	(19.1)	Accepted	Did not concur
Upper Payment Limit Reimbursements	[(5.5)]	[(14.1)]	-	-	-	-	-	-	[(5.5)]	[(14.1)]	Recommended	Did not concur
Patient Centered Medical Home	-	-	-	-	(1.7)	(5.7)	-	-	(1.7)	(5.7)	Rejected	Concurring
Revenue Maximization	-	-	-	-	(1.4)	(2.9)	-	-	(1.4)	(2.9)	Accepted	Partially Concurring
High Utilizers	-	-	-	-	(0.8)	(1.6)	-	-	(0.8)	(1.6)	Rejected	Concurring
Evidence Based Formulary	-	-	-	-	(0.3)	(0.9)	-	-	(0.3)	(0.9)	Rejected	Concurring
Recovery Navigation (STOP)	-	-	-	-	(0.3)	(1.0)	-	-	(0.3)	(1.0)	Accepted	Did not concur
Cortical Integrated Therapy	-	-	-	-	-	-	(1.0)	(1.0)	(1.0)	(1.0)	Accepted	Did not concur
Community Health Team	-	-	-	-	-	-	(0.4)	(0.8)	(0.4)	(0.8)	Accepted	Concurring
Total	\$ (1.2)	\$ (2.5)	\$ (9.5)	\$(19.6)	\$ (14.9)	\$(39.0)	\$ (2.1)	\$ (3.3)	\$ (27.7)	\$(64.3)		

\$ In millions; items in [brackets] not part of the request

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

The Governor recommended \$2,294.0 million, including \$905.8 million from general revenues; she proposes \$165.6 million in savings, including \$97.9 million from general revenues. The bracketed items are included in the Governor’s recommended budget; however, were not requested by the Executive Office. **The Assembly provided \$2,427.5 million, including \$954.3 million from general revenues, \$1,464.3 million from federal funds and \$9.0 million from restricted receipts. This is \$133.6 million more from all sources than recommended, including \$48.5 million more from general revenues, \$87.4 million more from federal funds and \$2.3 million less from restricted receipts.**

Constrained Budget Proposals - Managed Care Benefits

Managed care program savings of \$39.0 million, including \$14.9 million from general revenues are from 11 proposals in the four programs.

Of the \$39.0 million in savings, seven 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 three that impact both managed care and fee-for-service programs and two proposals that affect a single program that are discussed only in that program section in this analysis. The savings are shown by proposal and program in the following table.

The three that impact the managed care plans are discussed in the next section. *The Governor recommended savings of \$127.8 million, including \$75.3 million from general revenues, in the managed care and expansion programs. The Assembly included updates for the May caseload conference estimate and actions taken for Governor’s proposals as described in the items that follow. The Assembly accepted the proposal for the Rhody Health Options redesign and shifted \$176.8 million to the fee-for-service programs. Excluding the shift, the Assembly added \$55.0 million, including \$21.3 million from general revenues to the Governor’s recommended budget.*

Managed Care Benefits	Managed Care		Rhody Health Partners		Rhody Health Options		Medicaid Expansion		Total		Governor's Action*	Assembly v. Governor
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total		
Nursing Facilities Rate Freeze	\$ -	\$ -	\$ -	\$ -	\$ (2.0)	\$ (4.1)	\$ -	\$ -	\$ (2.0)	\$ (4.1)	Accepted*	Did not concur
Long Term Care Services Support Eligibility/Estate Recovery	-	-	-	-	(0.7)	(1.4)	-	-	(0.7)	(1.4)	Accepted	Partially concurred
Sullivan/Perry	-	-	-	-	(1.5)	(3.1)	-	-	(1.5)	(3.1)	Accepted	Concurred
Managed Care Reimbursements - Medical Component	[(9.6)]	[(20.0)]	[(4.1)]	[(8.6)]	-	-	[(1.0)]	[(14.9)]	[(14.9)]	[(44.0)]	Recommended	Partially concurred
Managed Care Reimbursements - Reserve	[(4.5)]	[(9.4)]	[(1.9)]	[(4.0)]	-	-	[(0.5)]	[(6.9)]	[(6.9)]	[(20.5)]	Recommended	Did not concur
Managed Care Administrative Rate	(0.3)	(0.7)	(0.2)	(0.5)	-	-	(0.03)	(0.4)	(0.6)	(1.6)	Accepted*	Concurred
Co-Payments for Adults	[(1.0)]	[(2.1)]	[(1.9)]	[(4.1)]	-	-	[(0.3)]	[(4.7)]	[(3.2)]	[(10.9)]	Recommended	Did not concur
Transportation Contract	-	-	-	-	-	-	(0.01)	(0.2)	(0.0)	(0.2)	Accepted	Concurred
Hospital Rate Freeze	(4.1)	(8.4)	(1.2)	(2.5)	-	-	(0.4)	(5.8)	(5.6)	(16.6)	Accepted	Did not concur
Patient Centered Medical Home	(0.9)	(1.9)	(0.3)	(0.5)	(0.4)	(0.8)	(0.2)	(2.4)	(1.7)	(5.7)	Rejected	Concurred
Revenue Maximization	(0.4)	(0.8)	(1.0)	(2.1)	-	-	-	-	(1.4)	(2.9)	Accepted	Partially concurred
High Utilizers	(0.1)	(0.2)	(0.7)	(1.4)	-	-	-	-	(0.8)	(1.6)	Rejected	Concurred
Evidence Based Formulary	(0.2)	(0.4)	(0.1)	(0.3)	-	-	(0.0)	(0.3)	(0.3)	(0.9)	Rejected	Concurred
Recovery Navigation (STOP) Program	(0.3)	(0.5)	-	-	-	-	(0.0)	(0.4)	(0.3)	(1.0)	Accepted	Did not concur
Total	\$ (6.2)	\$ (12.8)	\$ (3.5)	\$ (7.3)	\$ (4.6)	\$ (9.4)	\$ (0.6)	\$ (9.5)	\$ (14.9)	\$ (39.0)		

*\$ In millions; items in brackets not part of the request
Savings were changed in the Governor's recommended budget

Managed Care Reimbursements – Medical Component. The November caseload conference estimate includes \$1,380.1 million from all sources, including \$450.8 million from general revenues for the managed care programs that include Rite Care, Rhody Health Partners and the expansion program. Although the expansion program is identified separately for budgetary purposes, beneficiaries are enrolled in Rhody

Health Partners. Of this total, \$1,247.0 million, including \$421.0 million from general revenues, is for the medical component of the monthly capitated payments, or 91.0 percent of the total. The remaining portion of the capitated payment is 6.5 percent for administrative expenses and 2.5 percent for other payments to providers not included in the monthly capitated costs.

The rates are set annually and as a federal requirement must be determined to be actuarially sound and meet generally accepted accounting principles with approval from the Centers for Medicare and Medicaid Services. The Executive Office indicates that a reduction to the medical rates will be incorporated into the rates reviewed by the consulting actuary and the Centers for Medicare and Medicaid Services' Office of the Actuary in March 2018. *The Governor assumed savings of \$44.0 million from all sources, including \$14.9 million from general revenues from two proposals that impact reimbursements to the managed care plans that equate to a 3.7 percent reduction. The savings is offset by a \$0.9 million revenue loss for net state savings of \$14.0 million. The changes are effective July 1, 2018.*

The first proposal is a 2.75 percent reduction to the medical rate component that totals \$34.3 million of which \$11.6 million is from general revenues. The second is savings of \$9.7 million, including \$3.3 million from general revenues, from a one percent penalty from not meeting newly established, as yet identified, benchmarks set by the Executive Office. The benchmarks may include: reduction in caesarian births, emergency room utilization, and reducing expenditures for individuals with co-occurring disorders. It is anticipated that meeting the benchmarks will result in lower utilization and reduced expenses. If the benchmarks are not met then plans will not be able collect the payment for achieving them. The savings assume that the health plans achieve 50 percent of the targets.

*The Governor's budget did not include the proper language necessary for this change. She subsequently requested an amendment to correct that. **The Assembly assumed savings of \$17.2 million, including \$5.8 million from general revenues from a one percent reduction to the medical component and concurred with the savings from the proposal to institute benchmarks. Based on the May caseload estimate the value of the recommended savings for the medical component is two percent; the Assembly restored one-half of it.***

Managed Care – Reserve. The Executive Office entered into five-year contracts with Neighborhood Health Plan of Rhode Island, United Healthcare and Tufts Health Plan of Rhode Island in April 2017 to provide managed care services to families, disabled and non-disabled adults through the RItE Care and Rhody Health Partners programs. As part of the new contracts, the state agreed to the plans retaining 1.5 percent of administrative and medical premiums to mitigate the risk of operating in the commercial insurance market. This agreement is part of the calculation that determines if the plans are “actuarially sound” and has been reviewed and approved by the Centers for Medicare and Medicaid Services. The November caseload estimate includes anticipated rate updates, effective July 1, 2018.

*The Governor recommended savings of \$20.5 million from all sources, including \$6.9 million from general revenues, from eliminating the 1.5 percent reserve, effective July 1, 2018. There is a loss of revenue from this proposal totaling \$0.4 million for net state savings of \$6.5 million. **The Assembly did not concur and restored the savings.***

Managed Care - Administrative Rate. The Executive Office proposed savings of \$1.6 million, including \$0.6 million from general revenues by reducing the administrative rate paid to the managed care plans by one percent.

This is the third year that the Executive Office has proposed this initiative; the 2016 Assembly did not concur with the Governor's proposal to reduce the administrative rate and restored the savings. The 2017 Assembly accepted the proposal and included savings of \$9.2 million, including \$3.5 million from general revenues. Of this amount, \$1.7 million is in the RItE Care program.

*The Governor recommended savings \$5.6 million, including \$1.9 million from general revenues from reducing the administrative rate paid to the managed care plans by 4.5 percent. This includes a revenue loss of \$0.1 million for a net savings of \$1.8 million from this change. The Governor included Article 14 to make this change for the administrative rates. **The Assembly concurred and included Section 7 of Article 13 to make this change.***

Co-Payments for Adults. The 2007 Assembly passed Article 17 of 2007-H 5300, Substitute A, as amended, to institute a \$1/\$3 pharmaceutical co-payment for individuals in the fee for service Medicaid program who are not eligible for Medicare Part D. During FY 2007, the Department of Human Services, the state Medicaid agency at that time, changed its regulations to reflect the co-payment; however, a court ruling determined that a change to state law was required. An action was taken by the Governor and accepted by the Assembly to make this change. Despite having the approval, the Department did not implement the co-payments and currently the state does not charge a co-payment for prescription drugs for individuals in the fee-for-service program. Individuals enrolled in the managed care plans, including RItE Care, Rhody Health Partners and the expansion population, also do not have any co-payments for medical services.

The Governor recommended savings of \$10.9 million, including \$3.2 million from general revenues, from instituting co-payments for non-elderly, non-disabled adults, including parents enrolled in RItE Care, for non-emergency visits to emergency rooms, non-preventive physician visits and prescription drugs. The payments made on behalf of the individual are not to exceed five percent of annual income.

The total savings is net of \$1.0 million added for administrative costs related to the proposal, including two new positions and system changes that would be required. This suggests some time would be needed for implementation. However, the savings appear to be based on an effective date of July 1, 2018. There is also an offsetting revenue loss of \$0.2 million from this proposal.

The Governor included Section 1 of Article 13 for this change. Subsequently, she requested an amendment to clarify that the co-payment will not be applied to individuals with a state or federal disability determination. An individual who does not qualify for the Medicaid coverage through the Supplemental Security Income disability program can be determined disabled through the state's Medical Assistance Review Team process and receive Medicaid benefits.

*There are other individuals who the state covers who do not have the disability determination but have high medical bills that they become eligible for Medicaid; this includes individuals with severe and persistent mental illness. It is this set of Medicaid beneficiaries who would also be subject to the co-payments. The May caseload estimates included savings of \$7.6 million, including \$1.6 million from general revenues correcting for the start date of January 1, 2019. **The Assembly did not concur. It restored the savings and eliminated the two new positions recommended to implement this change.***

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for-service expenses. The Executive Office proposes savings of \$1.7 million, including \$0.8 million in the managed care and other medical services program from reducing the contract.

*The Governor proposed savings of \$9.5 million, including \$3.8 million from general revenues, from changing the current contract with Logisticare or reprocurring and reducing payments made for transportation services, effective January 1, 2019. The general revenue savings is net of \$0.1 million in funding for a new position to manage the contract. The Governor included this action as part of Article 14. **The Assembly concurred and included Section 7 of Article 13 for the change.***

Recovery Navigation (STOP) Program. The Executive Office proposed savings of \$1.0 million, including \$0.3 million from general revenues from eliminating the payments made through the managed care plans to support the Recovery Navigation Program at Emmanuel House, operated through The Providence Center. The Executive Office had applied for a Medicaid match, but had not yet received federal approval.

The Executive Office reported that it anticipated that funding will be available either through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals or that the Centers for Medicare and Medicaid Services will approve the state's application to leverage Medicaid for this program. However, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals reports that funding is only available from the federal substance abuse block grant for four months in FY 2018 and no funding is available for FY 2019. *The Governor recommended this proposal. Subsequent to her recommendation the state received approval to leverage federal funds for the program. The May Caseload estimating conference includes \$0.4 million, including \$0.2 million from general revenues.* **The Assembly included funding consistent with the May caseload estimate.**

Revenue Maximization. The Executive Office proposed savings of \$2.9 million, including \$1.4 million from general revenues from several proposals but does not segregate the savings attributable to each initiative. This includes expanding the RItE Share program to those in Rhody Health Partners and the expansion program and having disabled children retain commercial coverage by staying on parents' commercial insurance. It also includes reviewing options for Medicare and third-party liability claiming and making sure that the state is claiming the correct Medicaid match for its beneficiaries. It is unclear why verifying the state match for services would be part of a savings proposal and not current practice.

The Executive Office's request did not include any administrative costs to implement the change. It is also unclear if the new eligibility system would need to be updated for any of these changes.

The Governor recommended this proposal and included Section 3 of Article 13 to make the change effective January 1, 2019. She also included \$0.8 million from all sources, including \$0.3 million from general revenues, for two new positions and system upgrades, to implement this change. **The Assembly did not concur with the proposal to expand this program to disabled individuals but did include Section 3 of Article 13 to expand the RItE Share program to those covered by the Medicaid expansion program.**

High Utilizers. The Executive Office proposed savings of \$1.6 million, including \$0.8 million from general revenues from addressing costs for individuals considered to be high utilizers and assumes a 0.5 percent reduction based on FY 2015 expenses of \$496.0 million from all sources. It should be noted that a 0.25 percent reduction equals the proposed \$1.6 million in savings, which appears to equate to a 0.3 percent reduction and that does not take into consideration growth over the prior two fiscal years. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Patient Centered Medical Home. The Executive Office proposed savings of \$5.7 million, including \$1.7 million from general revenues, from eliminating the payments made to the managed care plans for Medicaid beneficiaries receiving services through a patient centered medical home. This proposal was also included in the revised request to meet a portion of the \$25.0 million in undistributed savings included in the enacted budget, but was later rescinded by the Executive Office during the November caseload conference testimony. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Evidence Based Formulary. The Executive Office proposed savings of \$0.9 million, including \$0.3 million from general revenues, from creating an evidence based formulary for pharmaceuticals that may include one drug per therapeutic class. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Constrained Budget Proposals - Fee-For-Service Benefits

Fee-for-service benefits decrease by \$25.4 million from all sources, including \$12.8 million less 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		Other Medical		Total		Governor's Action	Assembly Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total		
Hospital Rate Freeze	\$ (1.2)	\$ (2.5)	\$ -	\$ -	\$ -	\$ -	\$ (1.2)	\$ (2.5)	Accepted*	Did not concur
Upper Payment Limit Reimbursements	[(5.5)]	[(14.1)]	-	-	-	-	[(5.5)]	[(14.1)]	Recommended	Did not concur
Graduate Medical Education	[(3.3)]	[(2.5)]	-	-	-	-	[(3.3)]	[(2.5)]	Recommended	Did not concur
Nursing Facilities Rate Freeze	-	-	(6.7)	(13.8)	-	-	(6.7)	(13.8)	Accepted*	Did not concur
Long Term Care Services Support Eligibility/Estate Recovery	-	-	(1.3)	(2.8)	-	-	(1.3)	(2.8)	Accepted*	Partially concurred
Sullivan/Perry	-	-	(1.5)	(3.1)	-	-	(1.5)	(3.1)	Accepted	Concurred
Transportation Contract	-	-	-	-	(0.7)	(1.5)	(0.7)	(1.5)	Accepted*	Concurred
Cortical Integrated Therapy Services	-	-	-	-	(1.0)	(1.0)	(1.0)	(1.0)	Accepted	Did not concur
Community Health Team	-	-	-	-	(0.4)	(0.8)	(0.4)	(0.8)	Accepted	Did not concur
Total	\$ (1.2)	\$ (2.5)	\$ (9.5)	\$ (19.6)	\$ (2.1)	\$ (3.3)	\$ (12.8)	\$ (25.4)		

\$ In millions; items in brackets not part of the request

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

There are three proposals that impact programs in both the managed care and fee-for-service programs and each is discussed as follows. *The Governor recommended savings of \$37.8 million, including \$22.5 million from general revenues in the fee-for-service programs. **The Assembly added \$153.5 million, including \$61.2 million from general revenues. This reflects the May caseload conference estimate updates and action on the Governor's proposals as described in the items that follow. As noted, the proposal to redesign Rhody Health Options shifts expenses from managed care to fee-for-service.***

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 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. The Governor's FY 2018 recommended budget froze the rate, but the Assembly did not concur and restored the savings. 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 recommended this proposal and included Section 1 of Article 13 to freeze the rates at the FY 2018 level. The recommended budget includes savings of \$15.5 million, including \$5.4 million from general revenues from this change. Adjusting for the \$0.3 million revenue loss from this proposal, the net state savings is \$5.1 million. Subsequently, the Governor requested an amendment to clarify the dates for the rate freeze. **The Assembly did not concur and restored the savings.***

Nursing Facilities Rate Freeze. The Executive Office's budget includes savings of \$17.8 million, of which \$8.6 million is from general revenues from eliminating the October 1, 2018 rate increase for the nursing facilities. The rate freeze would result in lower revenues for nursing homes, which would lower taxes paid by \$0.8 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$13.0 million.

The rates were also frozen in the FY 2018 enacted budget as well as the FY 2016 and FY 2017 budgets. The FY 2015 adjustment was delayed six months. *The Governor included Section 1 of Article 13 to provide an October 1, 2018 rate increase that is limited to one percent; the November caseload estimate includes a 2.7 percent rate increase. The recommended budget includes savings of \$5.4 million, including \$2.6 million from general revenues. The associated provider tax revenue loss of \$0.3 million makes the net savings \$2.3 million.*

The Assembly concurred with the 1.0 percent change on October 1, 2018 and included a 1.5 percent rate increase on July 1, 2018 for total funding of \$8.9 million, including \$4.2 million from general revenues. These actions settle the lawsuit brought by the nursing home facilities related to a dispute over the recurring nature of the two percent reduction to nursing home rates in the FY 2016 budget as part of the Governor’s Reinventing Medicaid initiative.

Long Term Care Financing Reform (Sullivan/Perry). The FY 2018 enacted budget includes \$6.2 million, including \$3.0 million from general revenues, for funding for home and community care services available through the Sullivan/Perry calculation. There is a statutory requirement that if there is reduction in nursing home days in prior fiscal years for this calculation, the comparison is FY 2016 to FY 2015. The number of days are multiplied by the estimated daily nursing home rate and that total is reinvested in the home and community care program. The investment was made in the fee-for-service and Rhody Health Options programs.

The Executive Office’s FY 2019 budget eliminates the Sullivan/Perry funding in both programs, including \$3.1 million, of which \$1.5 million is from general revenues, in the fee-for-service program. The change was made to meet a portion of the \$25.0 million in undistributed savings included in the FY 2018 enacted budget.

The available resources have been used to increase direct care wages and, as previously mentioned, the FY 2018 enacted budget includes savings from a reduction in the nursing home census and that proposal requires accessibility to home and community based services that can accommodate this population. The November caseload conference estimate restored funding for the unachieved savings from the census reduction but kept the \$6.2 million for the investment in home and community care programs. *The Governor recommended this proposal. The Assembly concurred*

Home Care Rates. The November caseload conference included \$52.1 million, including \$24.9 million from general revenues for fee-for-service home care services, including skilled nursing, personal care attendants and therapeutic services. *The Governor recommended funding consistent with the November estimate. The Assembly included Section 4 of Article 13 to increase skilled nursing rates by 20 percent and personal care attendants by 10 percent. This also impacts programs in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and the Department of Human Services; Division of Elderly Affairs. The Assembly added \$7.0 million, including \$3.4 million from general revenues across all programs of which \$6.0 million, including \$2.9 million from general revenues, is in the Executive Office’s budget.*

Hospitals

The November Caseload Estimating Conference estimate includes hospital expenses totaling \$161.2 million, \$78.4 million from general revenues. It includes \$55.0 million for direct medical services and \$106.2 million for uncompensated care payments to community hospitals. *The Governor included \$143.5 million, \$69.0 million from general revenues; this is \$17.7 million less than the conference estimate, including \$9.4 million less from general revenues. This assumes several savings initiatives, each discussed separately.*

The Assembly provided \$191.2 million, including \$91.3 million from general revenues, and \$99.9 million from federal funds. This is \$2.6 million more than the May Caseload Estimate and \$47.6 million more than the Governor’s recommendation. The Assembly did not concur with the Governor’s proposals impacting hospital rates and included a \$1.0 million graduate medical education payment to Lifespan and restored the upper payment limit reimbursements

Hospitals – Fee-For-Service. The November Caseload Estimating Conference estimates FY 2019 expenditures at \$55.0 million, including \$26.8 million from general revenues. The estimate is \$3.3 million less than enacted, including \$2.0 million from general revenues for updated program costs. The revised request is \$3.8 million less than enacted to reflect a reduction in patient days.

The estimate includes a 4.6 percent increase for inpatient and outpatient rates and does not include an increase for patient days. There has been an annual decrease for fee-for-service hospital costs as recipients enroll in managed care plans.

The Executive Office proposed savings of \$2.5 million from all sources, including \$1.2 million from general revenues from a hospital rate freeze, discussed separately.

The Governor recommended \$37.3 million, including \$17.4 million from general revenues, which is \$17.7 million less than the conference estimate, \$9.4 million less from general revenues. The reduction to hospitals largely represents savings from eliminating the inpatient upper payment limit reimbursements, freezing rates at the FY 2018 level and changes to the graduate medical education program.

The Assembly included \$52.6 million, of which \$24.0 million is from general revenues and \$28.6 million is from federal funds. This is \$2.6 million more than the May Caseload Estimate adjusting for the shift among programs related to the Rhydy Health Options redesign and \$15.3 million more than the Governor’s recommendation. The Assembly did not concur with the Governor’s proposals impacting hospital rates and restored the graduate medical education payment and upper payment limit reimbursements.

The following table shows the request, the Governor’s recommendation and Assembly action. Items bracketed are included in the Governor’s recommendation but were not requested by the Executive Office.

Hospitals - Constrained Budget Savings Proposals				
Proposals	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Hospital Rate Freeze	\$ (1,200,157)	\$ (2,475,571)	Accepted*	Did not concur
Upper Payment Limit Reimbursements	[(5,558,454)]	[(14,064,189)]	Recommended	Did not concur
Graduate Medical Education	[(3,284,350)]	[(2,500,000)]	Recommended	Did not concur
Total	\$ (1,200,157)	\$ (2,475,571)		

**Savings were changed in the Governor's recommended budget; items in brackets not part of the request*

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 million from general revenues, from eliminating the projected inpatient and outpatient hospital rate increases. These savings affect fee-for-services direct payments to hospitals by the state and payments made through the managed care plans and are noted in each section of this analysis.

The request includes savings of \$2.5 million from all sources, including \$1.2 million from general revenues, in fee-for-service hospital expenses from the proposed rate freeze, 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. The Governor’s FY 2018 budget recommended freezing the

rate, but the Assembly did not concur. 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 recommended this proposal and included savings of \$0.8 million, including \$0.4 million from general revenues to correctly reflect savings in the fee-for-service program. She included Section 1 of Article 13 to make the change. Subsequently, she requested an amendment to correct the dates referenced in the article for the rate freeze. **The Assembly did not concur and restored the savings.***

Upper Payment Limit Reimbursements. The November caseload estimate includes the enacted level of \$20.5 million from general revenues, including \$8.2 million from general revenues for the outpatient and inpatient upper payment limit reimbursement made to the community hospitals. The Executive Office's FY 2019 request also includes the enacted level.

Hospitals currently receive quarterly inpatient and outpatient supplemental upper payment limit 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 Governor included Section 2 of Article 13 to eliminate the inpatient upper payment limit reimbursement for savings of \$14.1 million, of which \$5.6 million is from general revenues; she continued to include the outpatient upper limit payment totaling \$6.4 million of which \$2.6 million is from general revenues. **The Assembly did not concur and included \$15.7 million, including \$5.8 million from general revenues based on updated estimates to make both payments.***

Graduate Medical Education. The November Caseload estimate includes the enacted level of \$4.0 million from general revenues to support graduate medical education activities at Lifespan. The Executive Office's FY 2019 request includes the funding.

*The Governor included Section 4 of Article 13 to eliminate the payment to Lifespan. The budget instead includes \$1.5 million from all sources, including \$0.7 million from general revenues, to create a new pool, available to all teaching hospitals, with a concentration on substance abuse and mental health training. Subsequently, the Governor requested an amendment to correct a drafting error in the article. **The Assembly included \$1.0 million from general revenues to make a payment to Lifespan; the Assembly did not concur with establishment of the new pool.***

Disproportionate Share Payments to Hospitals. The Caseload Estimating Conference includes \$106.2 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals. This includes \$51.6 million from general revenues and \$54.7 million from federal funds to be provided to the state's community hospitals. This is \$33.5 million less than enacted including \$16.9 million from general revenues.

Passage of the Affordable Care Act included a phase-in of federal Disproportionate Share to Hospitals' payments made to states for uncompensated care. The phase-in has been postponed by Congress in previous fiscal years; under current federal law the scheduled reduction has an impact on state fiscal year 2019

spending. Absent a further delay, the impact to Rhode Island hospitals is a \$32.2 million reduction in the payments, including the state matching funds, and the FY 2019 caseload estimate reflects that loss. The expectation is that any federal action to delay the reduction, which is pending in Congress, would result in a restoration of the state match that goes with it.

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; the difference is that the reimbursements through the state are the same.

*The Governor recommended funding consistent with the caseload estimate. Recently passed federal legislation delays the reduction another two years. The Governor’s budget did not account for this possibility as it did for other programs with pending federal legislation. **The Assembly included \$138.6 million, including \$67.3 million from general revenues consistent with the May caseload estimate.***

Community Hospitals Payments	FY 2018 Enacted	FY 2019 Nov. CEC	FY 2019 Gov. Rec.	Gov. Change to CEC	FY 2019 May CEC	FY 2019 Enacted
State	\$ 68,426,813	\$ 51,579,190	\$ 51,579,190	\$ -	\$ 67,290,300	\$ 67,290,300
Federal	71,276,768	54,660,130	54,660,130	-	71,309,700	71,309,700
Subtotal	\$ 139,703,581	\$ 106,239,320	\$ 106,239,320	\$ -	\$ 138,600,000	\$ 138,600,000
Upper Payment Limit						
State	\$ 8,330,643	\$ 8,242,789	\$ 2,654,335	\$ (5,588,454)	\$ 5,851,771	\$ 5,851,771
Federal	12,147,830	12,235,686	3,759,951	(8,475,735)	9,819,982	9,819,982
Subtotal	\$ 20,478,473	\$ 20,478,475	\$ 6,414,286	\$ (14,064,189)	\$ 15,671,753	\$ 15,671,753
Graduate Medical Education						
State	\$ 4,000,000	\$ 4,000,000	\$ 715,650	\$ (3,284,350)	\$ 4,000,000	\$ 1,000,000
Federal	-	-	784,350	784,350	-	-
Subtotal	\$ 4,000,000	\$ 4,000,000	\$ 1,500,000	\$ (2,500,000)	\$ 4,000,000	\$ 1,000,000
Total	\$ 164,182,054	\$ 130,717,795	\$ 113,369,256	\$ (17,348,539)	\$ 158,271,753	\$ 155,271,753

Hospital License Fee. The Assembly included Section 7 of Article 8 of 2017-H 5175, Substitute A, as amended, which set the FY 2018 license fee at 5.856 percent based on 2016 revenues for all hospitals, including the state-run Eleanor Slater Hospital, except for South County Hospital and Westerly Hospital which will pay a lower 3.686 percent fee. *The Governor included Section 2 of Article 7 for the payment consistent with the FY 2018 revenues totaling \$182.0 million. **The Assembly passed Section 2 of Article 7 to assess a 6.0 percent fee on 2017 revenues for all hospitals except for South County and Westerly hospitals which will pay a 4.02 percent fee.***

FY 2019 Hospital License Fee	FY 2018 Enacted	FY 2019 Gov. Rec.	FY 2019 Enacted	Change to Governor
Revenues				
<i>Base Year</i>	2016	2016	2017	
<i>Tax Rate</i>	5.856%	5.856%	6.0%	
Community Hospital License Fee	\$ 179,643,592	\$ 179,643,592	\$ 178,794,058	\$ (849,534)
Washington County Hospitals Waiver	(4,466,055)	(4,466,055)	(4,748,735)	(282,680)
Subtotal Licensing fee	\$ 175,177,537	\$ 175,177,537	\$ 174,045,323	\$ (1,132,214)
Slater License Fee	\$ 6,777,324	\$ 6,777,324	\$ 6,759,342	\$ (17,982)
Total	\$ 181,954,861	\$ 181,954,861	\$ 180,804,665	\$ (1,150,196)

Long Term Care

The Caseload Estimating Conference estimate includes long term care expenses at \$255.7 million, of which \$122.1 million is from general revenues. This includes \$195.7 million for nursing facilities and hospice care and \$60.0 million for home and community care. The estimate is \$17.0 million more than enacted, including \$6.0 million more from general revenues; it is \$8.7 million above the revised estimate for FY 2018.

The constrained budget includes savings of \$19.6 million from all sources, including \$9.5 million from general revenues in long term care from three proposals; each is discussed separately.

The Governor recommended \$239.1 million, including \$111.2 million from general revenues. This is \$16.6 million less than the conference estimate, including \$10.9 million less from general revenues. The Governor accepted the three proposals, discussed separately.

The Governor also included savings of \$15.4 million from all sources, including \$7.3 million from general revenues from a redesign of the Integrated Care Initiative. Those savings are taken in the Rhody Health Options program. Supporting documentation does not identify the specific changes that will be made to meet these savings so it is difficult to analyze the impact on the fee-for-service long term care program.

The Executive Office subsequently provided information that included a plan for it to assume the claims processing function and enter into a contract with a vendor to provide administrative services for this population. This would include care coordination and case management, interpreter services and a call center for membership services.

Long Term Care - Constrained Budget Savings Proposals				
Proposals	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Nursing Facilities Rate Freeze	\$ (6,666,007)	\$ (13,750,015)	Accepted*	Did not concur
Long Term Care Services Support Eligibility/Estate Recovery	(1,346,446)	(2,777,322)	Accepted	Partially concurred
Sullivan/Perry	(1,502,880)	(3,100,000)	Accepted	Concurred
Total	\$ (9,515,333)	\$ (19,627,337)		

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

The Assembly concurred with the redesign of the Rhody Health Options program and included \$396.3 million, including \$185.9 million from general revenues for long term care. This shifts \$145.9 million, including \$69.2 million from general revenues from the managed care plan to the fee-for-service program. The proposal will impact the Unity program operated through Neighborhood Health Plan of Rhode Island and return the claims processing and administrative activities to the Executive Office of Health and Human Services.

The Assembly also passed Section 6 of Article 13 of 2018-H 7200, Substitute A, as amended, to establish The Rhode Island Aging and Disability Resource Center in the Department of Human Services' Division of Elderly Affairs. This will provide a statewide toll-free information hotline, comprehensive database for information on public and private long-term support and services programs.

Nursing Facilities and Hospice Care. The Caseload Estimating Conference estimate includes FY 2019 expenditures of \$195.7 million, of which \$93.4 million is from general revenues for the state's 84 nursing facilities. The estimate is \$16.9 million more than enacted, including \$6.3 million more from general revenues and \$7.2 million more than the November caseload conference revised estimate for FY 2018. It reflects the impact of not achieving the savings in the FY 2018 enacted budget as described below.

The Governor recommended \$185.0 million, including \$88.3 million from general revenues; this is \$10.7 million less from all sources, \$5.1 million less from general revenues from limiting the rate increase and other changes that impact eligibility for long term care services.

The Assembly included \$313.8 million, of which \$149.4 million is from general revenues. This includes an increase of \$123.1 million from the impact of the elimination of the Rhody Health Options Unity program and shifts funding to the long-term fee-for-service program. Starting January 1, 2019, the Executive Office will process the claims and provide administrative support. The Assembly passed Section 7 of Article 13 for this change.

Unachieved Savings - Nursing Facilities Utilization. The FY 2018 enacted budget includes savings of \$5.1 million, of which \$2.5 million is from general revenues from the Governor's FY 2018 budget proposal to lower the daily census for those residing in a nursing facility by 2.5 percent. The conference estimate restored the savings based on testimony from the Executive Office that the savings will not be achieved because of the following factors: lack of available staff resources, lack of funding for operational costs associated with the change, lack of operational lead time to complete the activities, and competing prioritization of other projected costs, including those related to the Unified Health Infrastructure Project.

The Executive Office had reported in its FY 2018 budget submission that this would be achieved through more effective interventions that increase transitions out of nursing facilities and into a community-based setting. This would reduce 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 Governor's recommendation is consistent with the caseload estimate.* **The Assembly concurred.**

Nursing Facilities Rate Freeze. The Executive Office's budget includes savings of \$17.8 million, of which \$8.6 million is from general revenues from eliminating the October 1, 2018 rate increase for the nursing facilities. This includes savings of \$13.8 million from all sources, including \$6.7 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 \$0.8 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$2.4 million. *The Governor included Section 1 of Article 13 to limit the rate increase to one percent for savings of \$2.7 million, including \$1.3 million in the fee-for-service program. The associated provider tax revenue loss of \$0.1 million lowers the state savings to \$1.2 million.* **The Assembly limited the October 1, 2018 increase to 1.0 percent and included a 1.5 percent increase on July 1, 2018 for increased funding of \$9.0 million, including \$4.2 million from general revenues.**

Long Term Care Services and Support/Estate Recovery. The Executive Office's budget includes savings of \$4.9 million, of which \$2.0 million is from general revenues for several proposals impacting long term care services; each is discussed separately.

The Governor recommended savings of \$11.1 million, including \$5.3 million from general revenues from the proposals; her recommendation also does not identify the savings from each proposal. The Governor also included \$0.3 million for two new full-time positions and \$1.5 million for other administrative changes. Adjusting for this and the loss of revenue totaling \$0.4 million, the net savings \$4.6 million. She included Section 1 of Article 13 and the resolution language necessary to make the changes in Article 14. **The Assembly included Sections 1 and 7 of Article 13 to make the changes. The Assembly did not concur with the elimination of retroactive coverage but did concur with the other changes.**

Electronic Asset Verification. The Executive Office assumed savings from an initiative to electronically verify assets of individuals applying for long term care services funded through Medicaid. The budget submission indicates that this would allow the state to streamline current eligibility processing by automating asset review. The Executive Office has not reported what the cost of the system is or how it would operate. Currently the only asset that is verified is property, so it would appear that the new system

would need to link to the information through the municipalities. The Executive Office has also not reported what changes would need to be made to the eligibility system for this proposal or if there are any administrative costs that would be needed. *The Governor included this proposal and included Section 1 of Article 13 and the resolution language necessary to make the changes in Article 14. As noted, the recommended budget also does not assign specific savings to each of the proposals.* **The Assembly concurred and included Section 1 of Article 13 for savings of \$5.2 million, including \$2.5 million from general revenues.**

Eliminate Retroactive Coverage. Currently, new long-term care applicants can request retroactive coverage for costs incurred up to three months prior to submitting a Medicaid long term care application. The purpose of offering retroactive coverage is to ensure that applicants are not bankrupted by costs incurred while they were too sick to start the Medicaid application process. The Executive Office proposed to eliminate retroactive coverage for all recipients except those who request a hardship exemption. This will allow the state to streamline current eligibility processing and eliminate retroactive processing of claims. *The Governor included this proposal and included Section 1 of Article 13 and the resolution language necessary to make the changes in Article 14. As noted, the recommended budget also does not assign specific savings to each of the proposals.* **The Assembly did not concur and restored \$4.8 million, including \$2.3 million offset by additional revenues of \$0.1 million for a net change of \$2.2 million.**

Income and Asset Transfer. The Executive Office proposed to expand the income and assets considered towards an individual's eligibility for long term care services. Currently the state only counts property as assets, and any property transferred within five years of the Medicaid application is counted as an asset. A transfer in that five-year time period triggers an obligation to pay for nursing home care, often referred to as a penalty period. If a penalty period is applied because of the asset transfer, the individual must pay for his or her nursing home care until the penalty period is complete. Income transfers do not have a similar five-year look back. The Executive Office proposes treating the transfer of an annuity payment in the same manner as property. With the annuity transfer being treated as an asset rather than income, it may increase the time that a person pays for his/her own nursing home care instead of the state. *The Governor included this proposal and includes Section 1 of Article 13 and the resolution language necessary to make the changes in Article 14. As noted, the recommended budget also does not assign specific savings to each of the proposals.* **The Assembly concurred and assumed savings of \$1.1 million, including \$0.5 million from general revenues.**

Elimination of Home Maintenance Allowance. Currently, there is a \$1,000 home maintenance allowance that is not counted as income towards an individual's Medicaid eligibility. The Executive Office proposes to eliminate that indicating that there is no evidence that this incentivizes individuals to return to the community rather than going into a nursing home. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Home and Community Care. The November Caseload Estimating Conference estimate includes \$60.0 million for home and community care expenses, including \$29.5 million from general revenues for FY 2019. This is \$0.1 million more than enacted, and it is \$4.3 million more than the revised estimate. The estimate includes caseload and cost inflators consistent with the Executive Office's testimony at the caseload conference.

The Governor included \$54.1 million, of which \$22.9 million is from general revenues. She reduced expenses by \$5.9 million, including \$5.8 million from general revenues. She concurred with the Executive Office's proposals and included general revenue savings from implementing the Community First Choice Option; the changes are described below.

The Assembly provided \$82.5 million from all sources, including \$36.5 million from general revenues and \$46.0 million from federal funds. This is \$25.4 million more than the May Caseload Conference

and \$128.4 million more than recommended, including \$13.5 million from general revenues. The Assembly did concur with the Governor's proposal to redesign Rhody Health Options and shifted \$22.8 million, including \$10.8 million from general revenues, to the fee-for-service program.

The Assembly also shifted \$250,000 from general revenues for home modifications and accessibility enhancements to construct, retrofit and/or renovate residences to allow individuals to remain in community settings to the Governor's Commission on Disabilities' budget.

The Assembly passed 2018-H 7803, Substitute A, as amended, for Quality Self-Directed Services to allow for independent home care providers to enter into an agreement with a bargaining unit to negotiate reimbursements with the Department of Administration. The Executive Office will establish a public registry and offer training opportunities to the home care providers and an advisory board will be established. The Executive Office cannot implement the program prior to October 1, 2019 and a negotiated agreement must be in place with an appropriation and rate approval by the Assembly.

Sullivan/Perry. The FY 2018 enacted budget includes \$6.2 million, including \$3.0 million from general revenues, for funding for home and community care services available through the Sullivan/Perry calculation. There is a statutory requirement that if there is reduction in nursing home days in prior fiscal years, for this calculation the comparison is FY 2016 to FY 2015, the number of days are multiplied by the estimated daily nursing home rate and that total is reinvested in the home and community care program. The investment was made in the fee-for-service and Rhody Health Options programs.

The Executive Office's constrained budget eliminates the Sullivan/Perry funding in both programs, including \$3.1 million, of which \$1.5 million is from general revenues, in the fee-for-service program. The change was made to meet a portion of the undistributed savings assigned to the Executive Office. *The Governor recommended this proposal. The Assembly concurred.*

Home Care Rates. The November caseload conference included \$52.1 million, including \$24.9 million from general revenues for fee-for-service home care services, including skilled nursing, personal care attendants and therapeutic services. *The Governor recommended funding consistent with the November estimate.*

The Assembly included Section 4 of Article 13 to increase skilled nursing rates by 20 percent and personal care attendants by 10 percent. The Assembly added \$7.0 million, including \$3.4 million from general revenues across all programs of which \$6.0 million, including \$2.9 million from general revenues is in the Executive Office's budget.

Community First Choice Option. The 2014 Assembly included Section 3 of Article 18 of 2014-H 7133, Substitute A, as amended, to seek federal approval to provide the community first choice program option to individuals who require an institutional level of care. The federal option provides states the ability to make available home and community based attendant services and supports to eligible individuals, as needed, to assist with activities of daily living, such as bathing, eating, and ambulatory needs and instrumental activities of daily living, such as housekeeping and laundry, social activities and maintaining appointments, and health-related tasks through hands-on assistance or supervision.

The services and supports must be provided on a statewide basis in the most integrated setting appropriate to the individual's needs. States are eligible to receive a permanent six percent increase in the Medicaid rate for the community attendant services. The enacted budget included \$3.0 million from general revenues. As part of the FY 2015 budget process, this was requested by the Executive Office, recommended by the Governor with the Assembly concurring.

The Executive Office submitted its annual operations report to the Centers for Medicare and Medicaid Services covering January 1, 2014 to December 31, 2014 in August 2016 that included an update that it would not be implementing the Community First Choice Option. The following information is taken from the report. The Executive Office reported that the Community First Choice opportunity would not be pursued because “*federal authority requirements would need to include areas that would present a challenge to meeting the MOE requirements and would require RI to restructure the approved 1115 Demonstration Waiver Renewal authority.*” Savings were restored at the November 2016 caseload estimating conference.

*The Governor’s recommended budget assumes general revenue savings of \$3.0 million from this opportunity and shifting expenses to federal funds. As noted, she also includes three new positions for the initiatives impacting long term care services of which this is one of them. **The Assembly concurred.***

Managed Care

The Caseload Estimating Conference estimate includes managed care expenses of \$753.0 million, of which \$359.8 million is from general revenues. The estimate includes RIte Care expenses at \$676.5 million, RIte Share at \$6.8 million and fee-for-service expenses at \$69.6 million; a discussion of each follows.

The November estimate is \$62.5 million more than enacted, including \$54.1 million from general revenues and \$27.2 million more than the Executive Office’s request, including \$37.6 million more from general revenues. The Executive Office’s constrained request is \$40.0 million less than the enacted budget, including \$43.8 million less from general revenues and does not reflect the adopted estimate.

The November caseload estimate assumes current federal law regarding enhanced Medicaid funding through the Children’s Health Insurance Program (CHIP). As of January 1, 2018, it had not been extended and the estimate includes \$28.5 million from general revenues to reflect the absence of an enhanced federal match. The Children’s Health Insurance Program allows states to expand Medicaid benefits to certain children and pregnant women and receive an enhanced Medicaid rate for these populations. For Rhode Island, the funding is used to offset costs in the RIte Care program. As of January 1, 2018, Congress has not reauthorized the program resulting in the loss of federal funds. It should be noted that eligibility for the program will not change just the amount of Medicaid funds that can be leveraged to support the program costs.

The Executive Office proposed savings of \$12.8 million from all sources, including \$6.2 million from general revenues in its constrained budget for the RIte Care managed care program. Each proposal is discussed separately.

The Governor included \$705.7 million, \$47.3 million less than the caseload estimate. This includes \$308.7 million from general revenues, or \$51.1 million less than estimated. Her recommendation includes \$28.5 million in general revenue savings from the reauthorization of the Children’s Health Insurance Program. Her individual recommendations are described separately.

The Assembly provided \$732.1 million, including \$316.4 million from general revenues and \$415.8 million from federal funds. This is \$20.9 million less than the May caseload estimate and \$41.6 million more than recommended, including \$10.7 million more from general revenues. The Assembly did not include the hospital rate freeze or the proposal to eliminate the reserve payment to the managed care plan.

The following table shows the request, the Governor’s recommendation and the Assembly action. Items bracketed are included in the Governor’s recommendation but were not requested by the Executive Office.

Managed Care - Constrained Budget Proposals				
Proposals	Gen. Rev.	All Funds	Gov. Rec.*	Assembly v. Governor
Hospital Rate Freeze	\$ (4,063,056)	\$ (8,380,892)	Accepted	Did not concur
Managed Care Reimbursements - Medical Component	[(9,558,677)]	[(20,034,955)]	Recommended	Partially concurred
Managed Care Reimbursements - Reserve	[(4,464,889)]	[(9,358,392)]	Recommended	Did not concur
Managed Care Administrative Rate	(339,939)	(701,194)	Amended	Concurred
Co-Payments for Adults	[(1,004,868)]	[(2,106,200)]	Recommended	Did not concur
Non-Emergency Transportation Services	[(1,880,417)]	[(3,941,348)]	Recommended	Concurred
Recovery Navigation (STOP) Program	(254,520)	(525,000)	Accepted	Did not concur
Revenue Maximization	(379,885)	(783,591)	Accepted	Partially concurred
Patient Centered Medical Home	(907,625)	(1,872,164)	Rejected	Concurred
High Utilizers	(87,264)	(180,000)	Rejected	Concurred
Evidence Based Formulary	(176,495)	(364,057)	Rejected	Concurred
Total	\$ (6,208,784)	\$ (12,806,898)		

*Savings were changed in the Governor's recommended budget; items in brackets not part of the request

Rite Care. The Caseload Estimating Conference estimated Rite Care expenditures at \$676.5 million including \$323.3 million from general revenues. This is \$56.0 million more than enacted, including \$51.7 million more from general revenues based on revisions to caseload demographics and a four percent per member per month increase to the rates. This does not include the extension of expired Children's Health Insurance Program funding, still pending in Congress.

The Governor included \$629.2 million, or \$47.3 million less than the conference estimate. This is \$272.3 million from general revenues or \$51.1 million less than the conference estimate. Adjusted for the \$28.5 million in savings from reauthorization of the Children's Health Insurance Program, the general revenues are \$22.6 million less than the estimate.

The Assembly provided \$658.5 million, including \$281.4 million from general revenues, for projected enrollment and updated costs. This is \$20.9 million less than the May conference estimate discussed below and \$29.3 million more than recommended.

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 million from general revenues, from eliminating the projected inpatient and outpatient hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans.

The Office included savings of \$8.4 million from all sources, including \$4.1 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. The Governor's FY 2018 recommended budget froze the rate but the Assembly did not concur and restored the savings. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets. *The Governor recommended this proposal and included savings of \$6.6 million, of which \$3.2 million is from general revenues. The Assembly did not concur and restored the funding.*

Managed Care Reimbursements – Medical Component. The November caseload conference estimate includes \$1,380.1 million from all sources, including \$450.8 million from general revenues for the managed care programs that include Rite Care, Rhody Health Partners and the expansion program. Although the expansion program is identified separately for budgetary purposes, beneficiaries are enrolled in Rhody Health Partners. Of this total, \$1,247.0 million, including \$421.0 million from general revenues, is for the medical component of the monthly capitated payments, or 91.0 percent of the total. *The Governor included*

savings of \$20.0 million from all sources, including \$9.6 million from general revenues from a 2.75 percent medical component reduction and one percent penalty from not meeting the benchmarks. **The Assembly included savings of \$10.7 million from a one percent reduction to the medical component. Based on the May caseload conference estimate, the percent applied to the recommended savings for the medical component is two percent; the Assembly restored one-half of it.**

Managed Care Reimbursements – Reserve. The Executive Office entered into five-year contracts with Neighborhood Health Plan of Rhode Island, United Healthcare and Tufts Health Plan of Rhode Island in April 2017 to provide managed care services to families, disabled and non-disabled adults through the RItE Care and Rhody Health Partners programs. As part of the new contracts, the state agreed to the plans retaining 1.5 percent of administrative and medical premiums to mitigate the risk of operating in the commercial insurance market. This agreement is part of the calculation that determines if the plans are “actuarially sound” and has been reviewed and approved by the Centers for Medicare and Medicaid Services. The November caseload estimate includes this as part of the payment to the plans. *The Governor recommended savings of \$9.4 million from all sources, including \$4.5 million from general revenues, from eliminating this 1.5 percent reserve. The Assembly did not concur.*

Managed Care Administrative Rate. The Executive Office proposed savings of \$1.6 million, including \$0.6 million from general revenues from reducing the administrative rate paid to the managed care plans by one percent. Of this amount, \$0.7 million, including \$0.3 million from general revenues is in the RItE Care program.

This is the third year that the Executive Office has proposed this initiative; the 2016 Assembly did not concur with the Governor’s proposal to reduce the administrative rate and restored the savings. The 2017 Assembly accepted the proposal and included savings of \$9.2 million, including \$3.5 million from general revenues. Of this amount, \$1.7 million is in the RItE Care program. *The Governor included this proposal for savings of \$2.6 million, of which \$1.2 million is from general revenues from a 4.5 percent rate reduction. The Assembly concurred.*

Co-Payments for Adults. The 2007 Assembly passed Article 17 of 2007-H 5300, Substitute A, as amended, to institute \$1/\$3 pharmaceutical co-payment for individuals in the fee for service Medicaid program who are not eligible for Medicare Part D. During FY 2007, the Department of Human Services, the state Medicaid agency at that time, changed its regulations to reflect the co-payments; however, a court ruling determined that a change to state law was required and that action was taken by the Governor and accepted by the Assembly. The Department did not implement the co-payments and currently the state does not charge a co-payment for prescriptions drugs for individuals in the fee-for-service program. Individuals enrolled in the managed care plans, including RItE Care, Rhody Health Partners and the expansion population, also do not have any co-payments for medical services. *The Governor recommended savings of \$2.1 million from all sources, including \$1.0 million from general revenues. As noted, the budget includes two new positions totaling \$0.5 million, of which \$0.3 million is from general revenues. The Assembly did not concur.*

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for service expenses. The Executive Office proposed savings of \$1.5 million, including \$0.7 million in the other medical services program from reducing the contract and does not include any savings in the managed care program. *The Governor proposed savings of \$3.9 million, including \$1.9 million from general revenues, from this proposal. The Assembly concurred.*

Recovery Navigation Program. The Executive Office proposed savings of \$0.5 million, including \$0.3 million from general revenues, from eliminating the payments made for RItE Care enrollees to support the

Recovery Navigation Program at Emmanuel House, operated through The Providence Center. The Executive Office has applied for a Medicaid match but has not yet received federal approval. It has also indicated that federal substance abuse block grant funds can be used; however, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals has reported that this is not correct and federal substance abuse block grant funding is only available for four months in FY 2018.

The Executive Office's revised request also includes savings of \$26,073 from general revenues, which is an error since it has spent its general revenues for this program and therefore cannot realize any savings compared to the enacted budget. For the program to continue for the last three months in FY 2018, the Executive Office will either have to: use general revenues; have received federal approval to leverage Medicaid and still require general revenues as a match; use federal substance abuse block grant funds; or no longer fund the program for the final three months. *The Governor recommended this proposal.* **The Assembly included \$0.4 million, including \$0.2 million from general revenues since the state has received approval to leverage Medicaid for this program.**

Revenue Maximization. The Executive Office proposed savings of \$0.8 million, including \$0.4 million from expanding RIte Share to other programs, retaining coverage for disabled adults until age 26 and enhancing matching opportunities in the managed care program. The constrained budget does not segregate the savings for each initiative.

As noted in the prior explanation, the Executive Office's request does not include any administrative costs to implement the change. It is also unclear if the new eligibility system would need to be updated for any of these changes. *The Governor recommended this proposal and included savings of \$2.1 million of which \$1.0 million is from general revenues. As previously noted, she also included two new positions to implement the change.* **The Assembly did not concur with the proposals to apply this to disabled adults but assumes savings from maximizing the higher Medicaid match for RIte Care parents who transition to the expansion program.**

Constrained Budget – Patient Centered Medical Home. The Executive Office proposed savings of \$1.9 million, including \$0.9 million from general revenues from eliminating the payments made to the managed care plans for the beneficiaries enrolled in a patient centered medical home. This proposal was also included in the revised request to meet a portion of the \$25.0 million in undistributed savings but was later rescinded by the Executive Office during the November caseload conference testimony. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Constrained Budget – High Utilizers. The Executive Office proposed savings of \$0.2 million, including \$0.1 million from general revenues from addressing costs for individuals considered high utilizers in the RIte Care program. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Constrained Budget – Evidence Based Formulary. The Executive Office's proposed savings of \$0.4 million, including \$0.2 million from creating an evidence based formulary for pharmaceuticals that may include one drug per each therapeutic class. *The Governor did not recommend this proposal.* **The Assembly concurred.**

RIte Share. The November Caseload Estimating Conference estimate includes RIte Share expenditures of \$6.8 million, including \$3.3 million from general revenues. This is slightly less than enacted, based on decreased enrollment. The Executive Office's testimony at the caseload conference is that the decrease in enrollment is the result of functionality issues with the Unified Health Infrastructure Project.

The Executive 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 ability to enroll a family in RItE Share will result in lower overall managed care program costs because the state can avoid enrollment in full coverage through the RItE Care program. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly provided \$6.8 million, including \$3.3 million consistent with the May caseload estimate.**

Fee-Based Managed Care. The Caseload Estimating Conference estimate includes FY 2019 fee-based managed care expenditures of \$69.6 million from all sources, of which \$33.2 million is general revenues. The estimate is \$6.5 million more than enacted, including \$2.5 million more 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 recommended funding consistent with the caseload estimate.* **The Assembly provided \$66.8 million, including \$31.9 million from general revenues consistent with the May caseload estimate.**

Rhody Health Partners

The Caseload Estimating Conference estimate includes expenditures of \$259.2 million from all sources, including \$124.4 million from general revenues for the managed care program for adults with disabilities in FY 2019. The Executive Office's request is \$2.9 million more than enacted, of which \$6.3 million is from general revenues and does not reflect caseload estimates.

The Executive Office's constrained budget includes savings of \$7.3 million, including \$3.5 million from general revenues from six proposals. *The Governor recommended \$236.5 million, including \$113.6 million from general revenues; this is \$22.7 million less than the conference estimate, including \$10.8 million from general revenues.*

The Assembly provided \$258.1 million, including \$123.9 million from general revenues and \$134.2 million from federal funds. This is \$9.5 million more than the May caseload estimate and \$21.5 million more than recommended, including \$10.3 million more from general revenues based on updated costs and enrollment. The Assembly also did not concur with the hospital rate freeze or instituting a co-payment for services.

The following table shows the request, the Governor's recommendation and Assembly action. Items bracketed are included in the Governor's recommendation but were not requested by the Executive Office.

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 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 \$2.5 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. The Governor's FY 2018 recommended budget froze the rate but the Assembly did not concur and restored the savings. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets. *The Governor recommended this proposal.* **The Assembly did not concur and restored the funding.**

Rhody Health Partners - Constrained Budget Savings Proposals				
Proposals	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Hospital Rate Freeze	\$ (1,200,157)	\$ (2,475,571)	Accepted*	Did not concur
Managed Care Reimbursements - Medical Component	[(4,084,450)]	[(8,560,993)]	Recommended	Partially concurred
Managed Care Reimbursements - Reserve	[(1,896,838)]	[(3,975,766)]	Recommended	Did not concur
Managed Care - Administrative Rate	(232,171)	(478,901)	Accepted*	Concurred
Co-Payments for Adults	[(1,936,490)]	[(4,058,877)]	Recommended	Did not concur
Non-Emergency Transportation Services	[(536,405)]	[(1,124,303)]	Recommended	Concurred
Revenue Maximization	(1,012,687)	(2,088,875)	Accepted	Partially concurred
Patient Centered Medical Home	(258,530)	(533,271)	Rejected	Concurred
High Utilizers	(691,540)	(1,426,444)	Rejected	Concurred
Evidence Based Formulary	(122,309)	(252,288)	Rejected	Concurred
Total	\$ (3,517,394)	\$ (7,255,350)		

*Savings were changed in the Governor's recommended budget; items in brackets not part of the request

Managed Care Reimbursements – Medical Component. The November caseload conference estimate includes \$1,380.1 million from all sources, including \$450.8 million from general revenues for the managed care programs that include RItE Care, Rhody Health Partners and the expansion program. Although the expansion program is identified separately for budgetary purposes, beneficiaries are enrolled in Rhody Health Partners. Of this total, \$1,247 million, including \$421 million from general revenues, is for the medical component of the monthly capitated payments, or 91.0 percent of the total. *The Governor included savings of \$8.6 million from all sources, including \$4.1 million from general revenues from a 2.75 percent medical component reduction and one percent penalty from not meeting the benchmarks. The Assembly included savings of \$8.0 million from a one percent reduction to the medical component. Based on the May caseload conference estimate, the value of the recommended savings for the medical component is two percent; the Assembly restored one-half of it.*

Managed Care Reimbursements – Reserve. The Executive Office entered into five-year contracts with Neighborhood Health Plan of Rhode Island, United Healthcare and Tufts Health Plan of Rhode Island in April 2017 to provide managed care services to families, disabled and non-disabled adults through the RItE Care and Rhody Health Partners programs. As part of the new contracts, the state agreed to the plans retaining 1.5 percent of administrative and medical premiums to mitigate the risk of operating in the commercial insurance market. This agreement is part of the calculation that determines if the plans are “actuarially sound” and has been reviewed and approved by the Centers for Medicare and Medicaid Services. The November caseload estimate includes this as part of the payment to the plans. *The Governor recommended savings of \$4.0 million from all sources, including \$1.9 million from general revenues, from eliminating this 1.5 percent reserve. The Assembly did not concur.*

Managed Care - Administrative Rate. The Executive Office proposed savings of \$1.6 million, including \$0.6 million from general revenues from reducing the administrative rate paid to the managed care plans by one percent. Of this amount, \$0.5 million, including \$0.2 million from general revenues is in the Rhody Health Partners program.

This is the third year that the Executive Office has proposed this initiative; the 2016 Assembly did not concur with the Governor’s proposal to reduce the administrative rate and restored the savings. The 2017 Assembly accepted the proposal and included savings of \$9.2 million, including \$3.5 million from general revenues. Of this amount, \$1.7 million is in the Rhody Health Partners program. *The Governor included savings of \$1.1 million, of which \$0.5 million is from general revenues from a 4.5 percent rate reduction. The Assembly concurred.*

Co-Payments for Adults. The 2007 Assembly passed Article 17 of 2007-H 5300, Substitute A, as

amended, to institute a \$1/\$3 pharmaceutical co-payment for individuals in the fee for service Medicaid program who are not eligible for Medicare Part D. During FY 2007, the Department of Human Services, the state Medicaid agency at that time, changed its regulations to reflect the co-payments; however, a court ruling determined that a change to state law was required and that action was taken by the Governor and accepted by the Assembly. The Department did not make the necessary changes to implement the co-payments and currently the state does not charge a co-payment for prescriptions drugs for individuals in the fee-for-service program. Individuals enrolled in the managed care plans, including RItE Care, Rhody Health Partners and the expansion population, also do not have any co-payments for medical services.

*The Governor recommended savings of \$4.1 million, including \$1.9 million from general revenues, from instituting co-payments for non-elderly, non-disabled adults, including parents enrolled in RItE Care, for non-emergency visits to emergency rooms, non-preventive physician visits and prescription drugs. As noted the budget includes two new positions totaling \$0.5 million, of which \$0.3 million is from general revenues. **The Assembly did not concur.***

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for service expenses. The Executive Office proposes savings of \$1.5 million, including \$0.7 million in the other medical services program from reducing the contract and did not include any savings in the Rhody Health Partners program. *The Governor proposed savings of \$1.1 million, including \$0.5 million from general revenues, in the managed care program. **The Assembly concurred.***

Revenue Maximization. The Executive Office proposed savings of \$2.9 million, including \$1.4 million from expanding RItE Share to other programs, retaining coverage for disabled adults until age 26 and enhancing matching opportunities. The constrained budget does not segregate the savings for each initiative, but does include \$2.1 million, of which \$1.0 million from general revenues is in the Rhody Health Partners. *The Governor recommended the proposal. **The Assembly did not concur with the proposals to apply this to disabled adults but assumed savings from maximizing the higher Medicaid match for parents who transition to the expansion program.***

Constrained Budget – Patient Centered Medical Home. The Executive Office proposed savings of \$0.5 million, including \$0.3 million from general revenues from eliminating the payments made to the managed care plans for the beneficiaries enrolled in a patient centered medical home through the Rhody Health Partners program. *The Governor did not include this proposal and included savings of \$1.4 million, including \$0.7 million from general revenues. **The Assembly concurred.***

Constrained Budget – High Utilizers. The Executive Office proposed savings of \$1.4 million, including \$0.7 million from addressing costs for individuals considered high utilizers in Rhody Health Partners. *The Governor did not recommend this proposal. **The Assembly concurred.***

Constrained Budget – Evidence Based Formulary. The Executive Office proposed savings of \$0.3 million, including \$0.1 million from creating an evidence based formulary for pharmaceuticals that may include one drug per each therapeutic class in Rhody Health Partners. *The Governor did not recommend this proposal. **The Assembly concurred.***

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. The caseload conference estimate includes \$386.0 million from all sources, including \$184.3

million from general revenues for the program. This includes a four percent increase for costs and updated enrollment projections.

The Executive Office’s constrained budget includes savings of \$9.4 million, including \$4.6 million from general revenues from four proposals, each discussed separately. *The Governor recommended \$362.3 million, including \$173.0 million from general revenues; this is \$23.7 million less than the conference estimate, including \$11.2 million from general revenues.*

The Assembly provided \$192.6 million, including \$92.5 million from general revenues and \$100.1 million from federal funds. This includes the redesign of Phase I of the Integrated Care Initiative, or the Rhody Health Options program, also known as Unity, so the May caseload estimate has been reduced by \$200.4 million, including \$95.6 million from general revenues. The change is effective January 1, 2019.

The following table shows the request, the Governor’s recommendation and Assembly action. Items bracketed are included in the Governor’s recommendation but were not requested by the Executive Office.

Rhody Health Options - Constrained Budget Savings Proposals				
Proposals	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Nursing Facilities Rate Freeze	\$ (1,980,754)	\$ (4,085,713)	Accepted	Did not concur
Hospital Rate Freeze	[(312,221)]	[(654,414)]	Recommended	Did not concur
Long Term Care Services Support Eligibility/Estate Recovery	(673,223)	(1,388,661)	Accepted	Partially concurred
Sullivan/Perry	(1,502,880)	(3,100,000)	Accepted	Concurred
Non-Emergency Transportation Services	[(870,340)]	[(1,824,229)]	Recommended	Concurred
Patient Centered Medical Home	(395,010)	(814,789)	Rejected	Concurred
Total	\$ (4,551,867)	\$ (9,389,163)		

**Savings were changed in the Governor’s recommended budget; items in brackets not part of the request*

Nursing Facilities Rate Freeze. The Office’s budget includes savings of \$17.8 million, of which \$8.6 million is from general revenues from eliminating the October 1, 2017 rate increase for nursing facilities. This includes savings of \$4.1 million from all sources, including \$2.0 million from general revenues in the Rhody Health Options program. *The Governor included savings of \$2.7 million, including \$1.3 million from general revenues from limiting the rate increase to one percent.* **The Assembly provided a 1.5 percent increase on July 1, 2018 and another 1.0 percent on October 1, 2018 totaling \$3.5 million, including \$1.7 million from general revenues but also shifted expenses into the fee-for-service program as part of the Rhody Health Options redesign.**

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 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 did not include the savings in the Rhody Health Options program and instead included the savings in the fee-for-service program. *The Governor recommended savings of \$0.7 million, including \$0.3 million from general revenues for the rate freeze.* **The Assembly did not concur.**

Long Term Care Services and Support/Estate Recovery. The Executive Office’s budget includes savings of \$1.4 million, of which \$0.7 million is from general revenues from several proposals impacting eligibility for long term care services.

The Executive Office has not identified the savings for each specific proposal; each is described separately. It has also not provided any backup to these specific proposals. *The Governor recommended the proposal in the fee-for-service long term care program. She did not identify any savings in the Rhody Healthy Options program; however, any savings from changes to the long-term services and supports program impacts both programs. It is unclear why savings were not also assumed in the managed care program.* **The Assembly did not concur with the elimination of retroactive coverage but did accept the other two proposals.**

Electronic Asset Verification. The Executive Office assumed savings from an initiative to electronically verify assets of individuals applying for long term care services funded through Medicaid. The budget submission indicates that this would allow the state to streamline current eligibility processing by automating asset review. The Executive Office has not reported what the cost of the system is or how it would operate. Currently the only asset that is verified is property, so it would appear that the new system would need to link to the information through the municipalities. The Executive Office has also not reported what changes would need to be made to the eligibility system for this proposal or if there are any administrative costs that would be needed. *The Governor recommended this proposal in the fee-for-service program but excluded any savings in the Rhody Health Options program.* **The Assembly concurred and assumed savings in the fee-for-service program.**

Eliminate Retroactive Coverage. Currently, new long-term care applicants can request retroactive coverage for costs incurred up to three months prior to submitting a Medicaid long term care application. The purpose of offering retroactive coverage is to ensure that applicants are not bankrupted by costs incurred while they were too sick to start the Medicaid application process. The Executive Office proposed to eliminate retroactive coverage for all recipients except those who request a hardship exemption. This will allow the state to streamline current eligibility processing and eliminate retroactive processing of claims. *The Governor recommended this proposal in the fee-for-service program but excluded any savings in the Rhody Health Options program.* **The Assembly did not concur with the proposal to eliminate the coverage.**

Income and Asset Transfer. The Executive Office proposed to expand the income and assets considered towards an individual's eligibility for long term care services. Currently the state only counts property as assets, and any property transferred within five years of the Medicaid application is counted as an asset. A transfer in that five-year time period triggers an obligation to pay for nursing home care, often referred to as a penalty period. If a penalty period is applied because of the asset transfer, the individual must pay for his or her nursing home care until the penalty period is complete. Income transfers do not have a similar five-year look back. The Executive Office proposed treating the transfer of an annuity payment in the same manner as property. With the annuity transfer being treated as an asset rather than income it may increase the time that a person pays for his/her own nursing home care instead of the state. *The Governor recommended this proposal in the fee-for-service program but excludes any savings in the Rhody Health Options program.* **The Assembly concurred with the proposal and assumed savings in the fee-for-service program.**

Elimination of Home Maintenance Allowance. Currently, there is a \$1,000 home maintenance allowance that is not counted as income towards an individual's Medicaid eligibility. The Executive Office proposed to eliminate the allowance, indicating that there is no evidence that this incentivizes individuals to return to the community rather than going into a nursing home. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Sullivan/Perry. The FY 2018 enacted budget includes \$6.2 million, including \$3.0 million from general revenues, for funding for home and community care services available through the Sullivan/Perry calculation. There is a statutory requirement that if there is reduction in nursing home days in prior fiscal years, for this calculation, the comparison is FY 2016 to FY 2015, the number of days are multiplied by the

estimated daily nursing home rate and that total is reinvested in the home and community care program. The investment was made in the fee-for-service and Rhody Health Options programs.

The Executive Office's constrained budget eliminates the Sullivan/Perry funding in both programs, including \$3.1 million, of which \$1.5 million is from general revenues, in the managed care program. The change was made to meet a portion of the undistributed savings assigned to the Executive Office.

The available resources have been used to increase direct care wages and, as previously mentioned, the FY 2018 enacted budget includes savings from a reduction in the nursing home census and that proposal requires accessibility to home and community based services that can accommodate this population. The November caseload conference estimate restored funding for the unachieved savings from the census reduction, but kept the \$6.2 million for the investment in home and community care programs. *The Governor recommended this proposal.* **The Assembly concurred.**

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for-service expenses. The Executive Office proposed savings of \$1.5 million, including \$0.7 million in the other medical services program from reducing the contract. *The Governor proposed savings of \$1.8 million, including \$0.9 million from general revenues, in Rhody Health Options.* **The Assembly concurred.**

Constrained Budget – Patient Centered Medical Home. The Executive Office proposed savings of \$0.8 million, including \$0.4 million from general revenues from eliminating the payments made to the managed care plans for the beneficiaries enrolled in a patient centered medical home through the Rhody Health Options program. *The Governor did not include this proposal in her recommended budget.* **The Assembly concurred.**

Pharmacy

The Caseload Estimating Conference estimate includes pharmacy expenses of \$62.4 million; this is \$0.3 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 recommended funding consistent with the caseload estimate.* **The Assembly provided \$65.5 million, including \$66.0 million from general revenues.**

Fee-for-Service. The Caseload Estimating Conference estimate includes FY 2019 pharmacy expenditure savings of \$1.4 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 Governor recommended funding consistent with the caseload estimate.* **The Assembly included expenditure savings of \$0.5 million, adjusting for a \$0.2 million shift to the fee-for-service program from the Rhody Health Options redesign.**

Medicare Drug Benefit - Part D Clawback. The Caseload Estimating Conference estimate includes the state payment for the Medicare Part D clawback provision at \$63.8 million, \$0.4 million more than enacted. The Executive Office's request is \$4.6 million more than the enacted budget and \$4.1 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 eligibles, the state pays a portion of their drug costs matched by the federal participation rate. The state no longer directly pays for the drug costs; however, the

state does pay a portion of the savings to the federal government, or a clawback, which has been calculated based on a nationwide formula. The dual eligibles do not pay any annual deductible, but pay a \$1 co-payment for generic drugs or \$3 co-payment for brand names. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly included \$66.0 million consistent with the May conference estimate.**

Medicaid Expansion

The November conference estimate includes \$472.0 million from all sources to provide health benefits to certain adults through the Medicaid expansion program. This includes \$441.2 million from federal funds and \$30.9 million from general revenues; for FY 2019, the state match is 6.5 percent.

The Executive Office's constrained budget includes savings of \$9.5 million from all sources, including \$0.6 million from general revenues from six proposals. *The Governor recommended \$437.8 million, including \$28.6 million from general revenues; this is \$34.2 million less than the conference estimate, including \$2.2 million from general revenues.*

The Assembly provided \$469.2 million, including \$30.6 million from general revenues and \$438.6 million from federal funds. This is \$22.1 million more than the May caseload estimate and \$31.3 million more than recommended.

The following table shows the request, the Governor's recommendation and Assembly action. Items bracketed are included in the Governor's recommendation but were not requested by the Executive Office.

Medicaid Expansion - Constrained Budget Savings Proposals				
Proposal	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Hospital Rate Freeze	\$ (367,064)	\$ (5,760,078)	Accepted*	Did not concur
Managed Care Reimbursements - Medical Component	[(969,045)]	[(14,908,392)]	Recommended	Partially concurred
Managed Care Reimbursements - Reserve	[(450,325)]	[(6,928,076)]	Recommended	Did not concur
Managed Care Administrative Rate	(26,828)	(420,995)	Amended	Concurred
Co-Payments for Adults	[(305,361)]	[(4,697,867)]	Recommended	Did not concur
Non-Emergency Transportation Services	(13,738)	(196,258)	Accepted*	Concurred
Patient Centered Medical Home	(158,900)	(2,444,616)	Rejected	Concurred
Recovery Navigation (STOP) Program	(27,625)	(425,000)	Accepted	Did not concur
Evidence Based Formulary	(20,053)	(286,468)	Rejected	Concurred
Total	\$ (614,208)	\$ (9,533,415)		

*Savings were changed in the Governor's recommended budget; items in brackets not part of the request

Hospital Rate Freeze. The Executive Office proposed savings of \$19.1 million from all sources, including \$6.8 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 \$5.8 million from all sources, including \$0.4 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 FY 2014, FY 2015, and FY 2016 budgets froze the outpatient and inpatient rates for hospitals. The Governor's FY 2018 recommended budget froze the rate but the Assembly did not concur and restored the savings. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets. *The Governor recommended the proposal and included \$4.9 million in savings, including \$0.3 million from general revenues.* **The Assembly did not concur.**

Managed Care Reimbursements – Medical Component. The November caseload conference estimate includes \$1,380.1 million from all sources, including \$450.8 million from general revenues for the managed care programs that include RItE Care, Rhody Health Partners and the expansion program. Although the expansion program is identified separately for budgetary purposes, beneficiaries are enrolled in Rhody Health Partners. Of this total, \$1,247.0 million, including \$421.0 million from general revenues, is for the medical component of the monthly capitated payments, or 91.0 percent of the total. *The Governor included savings of \$14.9 million from all sources, including \$1.0 million from general revenues from a 2.75 percent medical component reduction and one percent penalty from not meeting the benchmarks. The Assembly included savings of \$8.0 million from a one percent reduction to the medical component. Based on the May caseload conference estimate, the value of the recommended savings for the medical component is two percent; the Assembly restored one-half of it.*

Managed Care Reimbursements – Reserve. The Executive Office entered into five-year contracts with Neighborhood Health Plan of Rhode Island, United Healthcare and Tufts Health Plan of Rhode Island in April 2017 to provide managed care services to families, disabled and non-disabled adults through the RItE Care and Rhody Health Partners program. As part of the new contracts, the state agreed to the plans retaining 1.5 percent of administrative and medical premiums to mitigate the risk of operating in the commercial insurance market. This agreement is part of the calculation that determines if the plans are “actuarially sound” and has been reviewed and approved by the Centers for Medicare and Medicaid Services. The November caseload estimate includes this as part of the payment to the plans. *The Governor included savings of \$6.9 million from all sources, including \$0.5 million from general revenues, from eliminating this 1.5 percent reserve. The Assembly did not concur.*

Managed Care Administrative Rate. The Executive Office proposed savings of \$1.6 million, including \$0.6 million from general revenues from reducing the administrative rate paid to the managed care plans by one percent. Of this amount, \$0.4 million, including \$26,828 from general revenues is in the expansion program.

This is the third year that the Executive Office has proposed this initiative; the 2016 Assembly did not concur with the Governor’s proposal to reduce the administrative rate and restored the savings. The 2017 Assembly accepted the proposal and included savings of \$9.2 million, including \$3.5 million from general revenues. *The Governor included savings of \$1.8 million, of which \$0.1 million is from general revenues from a 4.5 percent rate reduction. The Assembly concurred.*

Co-Payments for Adults. The 2007 Assembly passed Article 17 of 2007-H 5300, Substitute A, as amended, to institute \$1/\$3 pharmaceutical co-payment for individuals in the fee for service Medicaid program who are not eligible for Medicare Part D. During FY 2007, the Department of Human Services, the state Medicaid agency at the time, changed its regulations to reflect the co-payments; however, a court ruling determined that a change to state law was required and that action was taken by the Governor and accepted by the Assembly. The Department did not make the necessary changes to implement the co-payments and currently the state does not charge a co-payment for prescriptions drugs for individuals in the fee-for-service program. Individuals enrolled in the managed care plans, including RItE Care, Rhody Health Partners and the expansion population, also do not have any co-payments for medical services. *The Governor recommended savings of \$4.7 million, including \$0.3 million from general revenues, from instituting co-payments for non-elderly, non-disabled adults, including parents enrolled in the expansion program. As noted, the budget includes two new positions totaling \$0.5 million, of which \$0.3 million from general revenues. The Assembly did not concur.*

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for service expenses. The Executive Office proposed savings of \$1.5 million, including \$0.7 million in the

other medical services program from reducing the contract. *The Governor proposed savings of \$1.7 million, including \$0.1 million from general revenues, in the expansion program. **The Assembly concurred.***

Recovery Navigation Program. The Executive Office proposed savings of \$0.5 million, including \$0.3 million from general revenues, from eliminating the payments made for Rite Care enrollees to support the Recovery Navigation Program at Emmanuel House, operated through The Providence Center. The Executive Office has applied for a Medicaid match but has not yet received federal approval. It has also indicated that federal substance abuse block grant funds can be used; however, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals has reported that this is not correct and federal substance abuse block grant funding is only available for four months in FY 2018.

The Executive Office's revised request also includes savings of \$26,073 from general revenues, which is an error since it has spent its general revenues for this program and therefore cannot realize any savings compared to the enacted budget. For the program to continue for the last three months in FY 2018, the Executive Office will either have to: use general revenues; have received federal approval to leverage Medicaid and still require general revenues as a match; use federal substance abuse block grant funds; or no longer fund the program for the final three months. *The Governor recommended this proposal. Subsequent to her recommendation the state received approval to leverage Medicaid funding for the program. **The Assembly provided \$422,000, including \$201,336 from general revenues consistent with May conference estimate.***

Home Modification Program. The November caseload estimate includes \$250,000 from general revenues for home modifications and accessibility enhancements to construct, retrofit and/or renovate residences to allow individuals to remain in community settings; this is in coordination with the Governor's Commission on Disabilities. *The Governor recommended funding consistent with the November estimate. **The Assembly transferred \$250,000 which was included in the May Conference estimate to the Governor's Commission on Disabilities and added \$250,000 for total funding of \$500,000 from general revenues for the Commission to disburse for the projects.***

Constrained Budget – Evidence Based Formulary. The Executive Office proposed savings of \$0.3 million, including \$0.1 million from creating an evidence based formulary for pharmaceuticals that may include one drug per each therapeutic class in the expansion program. *The Governor did not recommend this proposal. **The Assembly concurred.***

Other Medical Services

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

The conference estimate includes expenditures for other medical services at \$110.0 million, which includes \$40.5 million from general revenues. The estimate is \$2.9 million more than the enacted budget, including \$0.4 million more from general revenues. The Executive Office's FY 2019 request is \$3.9 million more than enacted and \$1.0 million more than the conference estimate and includes several savings initiatives, each discussed separately.

*The Governor recommended \$106.5 million from all sources, \$38.3 million from general revenues; this is \$3.5 million less than the caseload conference, including \$2.2 million less from general revenues. **The Assembly provided \$122.6 million, including \$47.7 million from general revenues, \$65.8 million from federal funds and \$9.0 million from restricted receipts. This is \$10.1 million more than the conference estimate and \$16.1 million more than recommended, including \$7.7 million more from general***

revenues. The increase to the conference estimate primarily reflects the shift of \$11.3 million in expenses, of which \$5.3 million is from general revenues, from the Rhody Health Options redesign.

Other Medical Services - Constrained Budget Savings Proposals				
Proposal	Gen. Rev.	All Funds	Gov. Rec.	Assembly v. Governor
Cortical Integrated Therapy Services	\$ (1,000,000)	\$ (1,000,000)	Accepted	Did not concur
Non-Emergency Transportation Services	(727,200)	(1,500,000)	Accepted*	Concurred
Community Health Team	(360,000)	(759,403)	Accepted	Concurred
Total	\$ (2,087,200)	\$ (3,259,403)		

*Savings were changed in the Governor's recommended budget

Cortical Integrated Therapy Services. The Executive Office proposed savings of \$1.0 million from general revenues from eliminating the state only payment for Cortical Integrated Therapy services. Notification was provided in October 2017 that payments would no longer be made after November 1, 2017. *The Governor recommended the proposal.* **The Assembly did not concur and restored the funding to the enacted level.**

Non-Emergency Transportation Services. The November caseload conference estimate includes \$35.0 million from all sources, including \$13.1 million from general revenues for non-emergency transportation services contracted through Logisticare. This includes funding in the managed care programs and fee-for-service expenses. The Executive Office proposed savings of \$1.5 million, including \$0.7 million in the other medical services program from reducing the contract. *The Governor proposed savings of \$0.9 million, including \$0.4 million from general revenues, from this proposal.* **The Assembly concurred.**

Community Health Team. The Executive Office proposed savings of \$0.8 million, including \$0.4 million from general revenues from eliminating the contract with CareLink to provide patient centered medical home services to those enrolled in fee-for-service programs.

Similar to the Recovery Navigation Program, general revenues appropriated for the program were spent by October and the November caseload conference added \$15,000 to make those payments for FY 2018 and the program has ended. *The Governor recommended the proposal. The May caseload conference estimate does not fund this program.* **The Assembly did not include any funding for the expired program, consistent with the conference estimate.**

Children's Health Account. The November caseload estimate includes the enacted level of \$11.3 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, which are deposited in the children's health restricted receipt account. The Executive Office currently assesses program expenses in three categories; comprehensive, evaluation, diagnosis, assessment, referral and re-evaluation services; home health services; and child and adolescent intensive treatment services and each category has a number of specific services within it. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly included \$9.0 million consistent with the May conference estimate which lowered the collection on the assessment by \$2.3 million.**

Central Management

Staffing/Reorganization. The 2017 Assembly added 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 for a total of 269.0 positions, concurring with the Governor's recommendation. The positions

included: 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 FY 2018 enacted budget did not reallocate the funding that supports the positions to the Executive Office's budget from the sending Departments. This was consistent with the Governor's recommendation which also did not shift the funding. The funding remained with the sending agencies because a final determination had not been made as to how to account for the federal resources 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.

The Executive Office's FY 2018 revised and FY 2019 requests are consistent with the enacted budget. *The Governor added 10 new positions for the implementation of a number of savings proposals in the Medicaid program.*

The Assembly provided 192.0 positions which is 103.0 less than recommended. As noted, this reverses the transfer of 91.0 finance positions back that was included in the FY 2018 enacted budget. The funding and staffing remains with the agencies in the Governor's recommended budget making it difficult to analyze staffing patterns. The Assembly also eliminated 10.0 vacant positions that were not funded and 2.0 positions from a Medicaid proposal that was not accepted.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$0.4 million from general revenues for FY 2019.**

Administrative Expenses for Medicaid Initiatives. The Executive Office included savings of \$64.3 million from all sources, including \$27.7 million from general revenues, in the medical assistance program to meet the budget target. It did not include any changes in administrative expenses to implement the proposals. It should be noted that the Executive Office testified at the November Caseload Estimating Conference that it could not achieve the savings included in the enacted budget for long term care services because it did not have the staffing required to make the changes.

The Governor included \$4.4 million from all sources, including \$1.3 million from general revenues for administrative expenses necessary to make the changes in the medical assistance program. This includes \$1.4 million, including \$0.6 million from general revenues, for 10 new positions, and \$2.9 million, including \$0.6 million from general revenues, for system changes. In some cases, it is not clear what the staff role is in achieving the savings. For the proposals that have a start date of July 1, 2018 for which staff have been added to manage the savings initiative, it is unclear how the full year savings will be achieved when staff most likely will not be hired on July 1. **The Assembly did not concur with the co-payment initiatives and eliminated two positions to implement the program. It concurred with the remainder of the request to include \$1.2 million, \$0.6 million from general revenues, for eight positions at an annual average cost of \$144,627.**

Unified Health Infrastructure Project. Unified Health Infrastructure Project's expenses are projected to be \$38.5 million from all sources, including \$9.9 million from general revenues and \$28.6 million from federal funds in both the Executive Office and Department of Human Services budgets for FY 2019. This is \$4.8 million less than enacted, including \$2.3 million more from general revenues and \$7.2 million less from federal funds.

The Executive Office requested \$26.7 million from all sources, including \$4.6 million from general revenues for its portion of the project. This includes \$12.8 million less from all sources than enacted and \$1.9 million less from general revenues.

The request is \$1.5 million more than enacted, including \$0.2 million more from general revenues in the Executive Office’s budget. It is also \$1.8 million less than the revised request, including \$0.1 million less from general revenues for salaries and benefits. This includes funding 10.0 of the 16.0 new positions added in the enacted budget. It also shifts current staff to the project to leverage the higher Medicaid rate. It should be noted the revised budget funds 13.0 of the 16.0 new positions. As previously noted, the planning documents indicate full system compliance by September 2018 at which time the state should no longer be able to leverage the 90/10 rate allowable for system development. If the state is no longer able to leverage the higher Medicaid rate, the request for general revenues will be underfunded.

It should be noted that the revised request includes \$2.5 million from all sources, including \$0.2 million from general revenues to support project staffing in the Department of Administration and HealthSource RI. The staffing costs have been excluded from the FY 2019 request because the state’s new budget system was unable to reflect the interagency transfers.

The Department’s request for contracted services totals \$23.6 million, including \$4.1 million from general revenues and does not include any funding for Deloitte Consulting. It does include \$10.1 million for Automated Health Systems to operate the contact center. The request also includes \$2.6 million for Enterprise Services (formerly HP Enterprise), \$2.3 million for Freedman Healthcare, \$2.3 million for IBM, \$2.1 million for Faulkner Consulting, \$2.1 million for KPMG, \$1.5 million for Northrup Grumman and \$0.2 million for Redwing Technology for system and technology support, security and program development.

The state has been approved for a project plan that totals \$444.5 million through federal fiscal year 2019. This includes \$355.2 million from federal funds and \$89.3 million from general revenues for design, development and implementation. This totals \$298.5 million and \$146.0 million for maintenance and operations. The planning document indicates that the backlogs will be cleared by March 30, 2018 and the system will be fully compliant by September 28, 2018.

Unified Health Infrastructure Project					
Unified Health Infrastructure Project	General Revenues	Federal Funds	Restricted Receipts	Information Technology Investment Fund	Total
FY 2016 Spent					
EOHHS	\$ 13,015,924	\$ 79,690,883	\$ -	\$ 1,723,232	\$ 94,430,039
DHS	2,883,527	4,628,457	-	-	7,511,984
Total	\$ 15,899,451	\$ 84,319,340	\$ -	\$ 1,723,232	\$ 101,942,023
FY 2017 Final					
EOHHS	\$ 5,353,039	\$ 33,077,048	\$ -	\$ 1,126,410	\$ 39,556,497
DHS	1,546,360	6,359,539	-	-	7,905,899
Total	\$ 6,899,399	\$ 39,436,587	\$ -	\$ 1,126,410	\$ 47,462,396
FY 2018 Final					
EOHHS	\$ 5,503,530	\$ 55,460,147	\$ -	\$ 2,549,563	\$ 63,513,240
DHS	3,655,312	5,507,185	-	-	9,162,497
Total	\$ 9,158,842	\$ 60,967,332	\$ -	\$ 2,549,563	\$ 72,675,737
FY 2019 Enacted					
EOHHS	\$ 5,074,485	\$ 23,764,587	\$ -	\$ -	\$ 28,839,072
DHS	1,791,312	6,668,058	6,952,634	-	15,412,004
Total	\$ 6,865,797	\$ 30,432,645	\$ 6,952,634	\$ -	\$ 44,251,076

*The Governor added \$2.4 million to the request including \$0.6 million more from general revenues, to support staffing at the Department of Administration and HealthSourceRI that was excluded from the request. **The Assembly added \$24,403 for cost-of-living adjustments and concurred with the remainder of the recommendation.***

Health Care System Transformation Project. The Executive Office requested \$32.9 million from federal funds for the Health System Transformation Project in FY 2019. This includes \$23.5 million in the Medical Assistance program for the project to expand opportunities through the Accountable Entities and \$9.3 million in central management for the administrative portion.

The Executive Office spent \$7.0 million in FY 2017 in the medical assistance program for incentive payments to the nursing facilities.

This is \$7.2 million more than enacted for contracted services to support the project, of which it has identified expenses totaling \$4.1 million but has not identified how it will spend the remainder of the funding request. Identified costs include: \$2.0 million for its investment in the Healthcare Workforce Transformation initiative in coordination with the three state institutions of higher education, University of Rhode Island, Rhode Island College and the Community College of Rhode Island; \$1.3 million for contracted evaluation and other oversight services through Conduent; and \$0.8 million for contracted staffing for project management, financial operations, analysis, evaluation and federal compliance. *The Governor recommended funding as requested. **The Assembly concurred.***

All Payer Claims Database. The Executive Office requested \$1.1 million from all sources, including \$0.1 million from general revenues to support the state's All Payer Claims Database. The FY 2018 enacted budget includes \$0.1 million from restricted receipts for the state's all payers claims database in the Department of Health's budget. This is also included in the revised budget and the Executive Office reports that its program staff are working to finalize a Memorandum of Understanding with the Department of Health for activities for the claims database.

As part of the State Innovation Models grant, \$0.3 million from federal funds was allocated for this project, but the newly approved plan for the claims database exceeds the time frame awarded for the federal innovation models grant. This results in the request for additional general revenue expenses matched by Medicaid. *The Governor recommended funding essentially as requested. **The Assembly added \$895 for cost-of-living adjustments and concurred with the remainder of the recommendation.***

Electronic Visit Verification. The Executive Office requested \$0.5 million from all sources, including \$0.1 million from general revenues for the electronic visit verification system for home health care providers. This is \$0.1 million less than enacted for the contract with Sandata, including \$29,000 less from general revenues. *The Governor recommended funding as requested. **The Assembly concurred.***

Predictive Modeling Initiative. The Executive Office's request includes \$0.8 million from all sources, including \$0.2 million from general revenues, which is \$0.3 million less than enacted including \$0.1 million less from general revenues, for the predictive modeling initiative to provide enhanced fraud, waste and abuse and improper payment surveillance detection capability. The four-year, \$5.7 million contract with BAE Systems Applied Intelligence expires on October 19, 2018. The initiative made 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 disqualify Medicaid providers. *The Governor recommended funding as requested. **The Assembly concurred.***

CurrentCare. The Executive Office's FY 2018 request includes \$0.3 million from general revenues to be matched with \$2.7 million from Medicaid funds 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 that was the prior agreement.

The Rhode Island Quality Institute has partnered with the State of Rhode Island to develop *Currentcare*, Rhode Island's electronic health information exchange, an electronic network that gives medical professionals access to their patients' health information. *The Governor recommended funding as requested. The Assembly concurred.*

Electronic Health Records. The Executive Office included the enacted level of \$3.7 million from federal funds to support the electronic health records initiative in FY 2019. In July 2011, the Department began the Electronic Health Records Incentive program, where eligible medical providers and acute care hospitals that 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 Governor recommended funding as requested. The Assembly concurred.*

State Innovation Models Initiative. The Executive Office included \$4.6 million from federal funds for the State Innovation Models Initiative grant, which is \$0.4 million more than enacted. The request includes \$4.0 million for contracted financial services, \$0.4 million for grants and \$0.2 million for staffing and operating expenses.

The request provides \$0.2 million to the University of Rhode Island and \$0.2 million to Rhode Island College for evaluation activities, and \$0.2 million to Care Transformation Collaborative to lead two primary care transformation projects for integrated behavioral healthcare for adults and primary medical homes for children and adolescents. It also includes \$0.4 million to the Rhode Island Quality Institute to implement a statewide common provider directory, \$0.1 million to The Autism Project for a pilot program in three schools and \$0.3 million for a child psychiatric project through Bradley Hospital. The Executive Office requested \$2.4 million for activities that have not yet been determined. *The Governor recommended funding essentially as requested. The Assembly concurred.*

HIV Treatment Services and Administration. The Executive Office's request includes \$14.2 million from all sources, including \$9.1 million from restricted receipts and \$5.1 million from federal funds for HIV treatment services and administration. The request is \$2.5 million more than enacted from drug rebate funds and supports five positions but 2.7 positions from the Department of Health are budgeted in the request.

Consistent with the revised request, the request assumes increased collections of \$11.7 million from drug rebates and uses the additional resources to enter into new contracts with the state's three institutions of higher education, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and community providers.

Based on those available resources, the Executive Office has expanded services available to individuals with HIV. This includes a new initiative, Co-Exist, an agreement between the Executive Office, Department of Behavioral Healthcare, Development Disabilities and Hospitals, Rhode Island College, University of Rhode Island, and community providers to expand services to individuals who are HIV positive and in need of other services, such as residential and outpatient treatment for those with substance abuse issues, and training and evaluation services that totals \$19.5 million over three years. The revised request includes \$2.5 million to AIDS Care Ocean State, \$1.8 million to Community Care Alliance, \$1.1 million to Family Services of RI and \$1.2 million to RI Public Health Foundation for the new Co-Exist program. If the collections are less than projected, there may be an impact on the availability of funding for this program, including the new initiative which would leave the contracts underfunded. *The Governor recommended \$0.1 million more than requested to fund a position that had been vacant. The Assembly concurred.*

Demonstration Ombudsman Grant. The Executive Office included \$168,814 from federal funds for the demonstration ombudsman grant. This includes \$166,000 for the final 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. This is \$19,500 more than enacted to close out the grant. *The Governor recommended funding as requested.* **The Assembly concurred.**

Early Intervention. The Executive Office requested \$2.2 million from all sources, including \$0.4 million from general revenues for early intervention program costs. This is \$88,023 less than enacted including \$15,234 more from general revenues. Early Intervention expenses include \$1.5 million for contracted services that includes \$0.4 million to the Rhode Island Parent Information Network to support parent consultants at ten provider sites, \$0.5 million to the Sherlock Center at Rhode Island College, \$0.8 million for Xerox support staff and other contracted administrative support. *The Governor recommended funding as requested.* **The Assembly concurred.**

Medicaid Technical Claiming. The enacted budget includes \$500,000, of which \$250,000 is from general revenues, to provide technical assistance for Medicaid claiming activities in the human service agencies. The Executive Office did not use this funding for increased claiming in its revised budget and excludes it from its FY 2019 request. The FY 2018 enacted budget includes general revenue savings of \$4.0 million from shifting expenses to Medicaid in the Department of Children, Youth and Families. *The Governor recommended funding as requested.* **The Assembly eliminated the funding in both the revised and FY 2019 budgets since it was not being used for the intended purpose.**

Medicaid Management Information System Expenses. The Executive Office requested \$23.3 million from all sources, including \$4.5 million from general revenues for expenses related to the Medicaid Management Information System. This is \$1.0 million more than enacted, including \$1.1 million more from general revenues and \$0.1 million less from federal funds. The state's contract with HP Enterprises to manage the system is in effect from January 1, 2013 through December 31, 2020. As previously noted, the Executive Office is in the process of re-procuring the contract during FY 2018. The contractor processes an estimated 11 million transactions a year at \$0.20 a transaction, manages the data warehouse, and performs prior authorization, utilization and claims reviews, training and outreach activities, and other core system functions.

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

Mental Health Parity Study. The Office of the Health Insurance Commissioner issued a report in January 2018 report outlining the work it is currently undertaking to promote behavioral health parity across several regulatory and reform functions within the Office. The primary laws used for the regulatory oversight of parity implementation include the Federal Mental Health Parity and Addiction Equity Act and the State Mental Health Parity law, which require that a health insurance plan provide coverage for the treatment of mental health and substance-use disorders under the same terms and conditions as that coverage is provided for other illnesses and diseases.

The Executive Office's request does not include any funding for work in this area. *The Governor added \$150,000 from general revenues in the Executive Office of Health and Human Services' budget for a study of commercial health insurance carriers' offerings of primary preventative mental health care in comparison to primary preventative medical care. It is unclear why a study of commercial health insurance*

is under the purview of the Executive Office. **The Assembly did not concur and reduced funding accordingly.**

Department of Justice Consent Decree Monitor. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals request includes the enacted level of \$450,000 for consent decree costs for the monitor, Charles Moseley. The state entered into a consent decree with the Department of Justice that addresses community based and employment services for adults with developmental disabilities. This includes \$225,000 from general revenues matched by Medicaid funds. 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 \$150,000 not allocated for the monitor and could not provide a list of these activities or how the funds were spent in FY 2017. *The Governor's recommendation transfers funding to the Executive Office's budget but incorrectly includes the full \$450,000 as general revenues; this appears to be an oversight. The Governor requested an amendment to correct for the Medicaid match.*

The Assembly included \$300,000 from all sources, including \$150,000 from general revenues. It should be noted that the Assembly also added \$1.5 million, including \$0.8 million from general revenues, to provide adequate resources for transition community based agencies to provide integrated services that comply with the consent decree in the Department of Behavioral Healthcare, Developmental Disabilities and Hospital. It also designated three positions within the existing authorization to be available exclusively for a quality improvement team to ensure that community based agencies transition to providing integrated services that comply with the consent decree.

Other Medicaid Administration Expenses. The Executive Office requested \$21.7 million for other Medicaid Administration expenses, including \$9.8 million from general revenues and \$11.9 million from federal funds. This is \$1.0 million less from federal funds and \$16,593 less from general revenues to adjust for the appropriate Medicaid rate applied to certain projects.

The Office requested \$14.7 million for salaries and benefits, \$0.6 million more than enacted, including \$0.3 million more from general revenues for 94.2 positions. The request appears to restore turnover equivalent to 4.0 positions, leaving 12.4 positions vacant. The request includes \$4.6 million for RItE Care and RItE Share program administration, and \$2.4 million for Medicaid administration costs, including the data warehouse and other oversight projects. *The Governor recommended \$54,112 less than requested including \$30,430 more from general revenues for statewide benefit adjustments.* **The Assembly added \$0.2 million for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$1.6 million from all sources including \$0.8 million from general revenues for the Executive Office for its share of centralized services. This includes \$0.6 million for facilities management, of which \$0.5 million is from general revenues, \$0.3 million for human resources, of which \$0.2 million is from general revenues and \$0.2 million for information technology services, of which \$0.2 million is from general revenues. **The Assembly concurred.**

Central Administration Expenses. The Executive Office requested \$9.6 million, including \$6.4 million from general revenues for central administration operations. This is \$0.8 million more than the enacted budget, primarily from general revenues.

The request includes \$8.2 million from all sources for staffing, including \$6.4 million from general revenues to fund 75.8 positions, restoring funding for one position. The request is \$1.3 million more than enacted, including \$1.2 million from general revenues and \$0.1 million from federal funds.

The request appears to significantly increase funding for existing staff. This suggests positions have been filled at higher pay grades than reflected in the enacted budget. The request also includes \$1.3 million for all other expenses, including \$0.2 million from general revenues, \$0.3 million less than enacted. This is a lower reduction than requested in the revised budget. *The Governor recommended \$36,498 more than requested, including \$26,090 more from general revenues for statewide benefit adjustments.*

The Assembly reduced contracted services spending by \$2.3 million, including \$0.7 million from general revenues. The Executive Office entered into several new one-year contracts in FY 2018 using available resources that were not identified for any specific purposes in the enacted budget. The Assembly adjusted FY 2019 expenditures to reflect the expiration of the time-limited contracts. The Assembly also included \$0.2 million for cost-of-living adjustments offset by \$0.1 million in savings available from the voluntary retirement incentive program.

The Assembly provided \$112,186 less than recommended from general revenues to reflect the exclusion of a cost allocation for positions in the Governor's Office being charged to the Executive Office.

Special Education. The Executive Office requested \$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 recommended \$0.5 million more than requested for direct services.* **The Assembly concurred.**

2018-H 7200, Substitute A, as Amended

The FY 2019 enacted budget contains legislation that affects implementation and operation for some of the Executive Office's programs and are summarized as follows.

Article 7. Section 2. Licensing of Hospital Facilities. Section 2 of Article 7 extends the hospital licensing fee in FY 2019 at a rate of 6.0 percent on net patient services revenue for all community hospitals except South County and Westerly, which will be assessed a 4.02 percent license fee. It includes the due date for filing returns and making the payment. The budget includes revenue from the two-tiered fee totaling \$182.0 million, including \$175.2 million from community hospital payments and \$6.8 million from state payments for Eleanor Slater Hospital. This article appears annually in the Appropriations Act.

Article 13. Medical Assistance. Section 1. This section provides for a 1.5 percent increase to nursing home rates on July 1, 2018 and another 1.0 percent on October 1, 2018, from the current rates in effect as of October 1, 2017. It also clarifies that the Executive Office is not required to restore the nursing home rates back to those in effect on April 1, 2015 at the end of the twelve-month period included in the current law. It also allows for changes to long term care eligibility process and includes using an automated asset verification system.

Article 13. Medical Assistance. Section 2. This section provided for a FY 2020 uncompensated care payment to community hospitals that is not to exceed \$139.7 million.

Article 13. Medical Assistance. Section 3. The section allows for the expansion of the RIte Share program to non-disabled individuals who have access to employer sponsored insurance and receive coverage through the expansion program.

Article 13. Medical Assistance. Section 4. This section increases fee-for-service rates paid for home care including skilled nursing, personal care and homemaker services for FY 2019 and includes language to increase those rates annually tied to the Consumer Price Index for medical care in New England. The initial rate adjustment is 20.0 percent for skilled nursing and 10.0 percent for all other services.

Article 13. Medical Assistance. Section 5. This section instructs the Director of the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to coordinate with the Executive Office of Health and Human Services' Medicaid program to ensure that developmentally disabled adults receiving residential and community based services are also receiving the appropriate level of medical benefits if eligible for long term care services and supports.

Article 13. Medical Assistance. Section 6. This section establishes The Rhode Island Aging and Disability Resource Center in the Department of Human Services' Division of Elderly Affairs. This will provide a statewide toll-free information hotline, comprehensive database for information on public and private long-term support and services programs.

Article 13. Medical Assistance. Section 7. The section includes the necessary resolution language for changes to nursing home rates, non-emergency transportation services and managed care administration and medical rates. It includes implementing a multi-tiered, needs based criteria for level of care and scope of services for adults with developmental disabilities. There is also a community-based alternative to emergency departments for addiction and mental health emergencies in collaboration with the Executive Office of Health and Human Services and the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.

The article makes changes to long term care services including restructuring services provided through the Integrated Care Initiative, a Community First Choice option, and adding new supports such as adaptive and home-based technologies. It includes waiver authority to provide integrated medical and behavioral services to children and youth at risk such as targeted family visiting nurses, peer supports, and specialized networks of care. It also seeks the authority to leverage Medicaid for residential treatment services for those disabled children whose families have placed them in the care of the Department of Children, Youth and Families so they can receive residential treatment services. It allows the Executive Office of Health and Human Services to submit a five-year extension to the Medicaid waiver and seek federal opportunities that do not adversely impact beneficiaries or increase program expenses beyond the FY 2019 appropriation.

2018-H 7803, Substitute A, as Amended. The legislation, enacted as Chapter 106 of the 2018 Public Laws, creates the Quality Self-Directed Services program to allow for independent home care providers to enter into an agreement with a bargaining unit to negotiate reimbursements with the Department of Administration. The Executive Office will establish a public registry and offer training opportunities to the home care providers and an advisory board will be established. The Executive Office cannot implement the program prior to October 1, 2019 and a negotiated agreement must be in place with an appropriation and rate approval by the Assembly.

Department of Children, Youth and Families

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 9,989,054	\$ 13,692,828	\$ 13,075,212	\$ 13,191,289
Child Welfare	164,158,971	181,096,318	155,458,554	173,576,951
Juvenile Corrections	23,604,738	24,712,866	27,820,495	28,292,342
Children's Behavioral Health	11,096,965	12,309,962	12,598,018	12,658,072
Higher Education Incentive Grants	200,000	200,000	200,000	200,000
Total	\$ 209,049,728	\$ 232,011,974	\$ 209,152,279	\$ 227,918,654
Expenditures by Category				
Salaries and Benefits	\$ 72,706,793	\$ 70,392,379	\$ 72,073,494	\$ 73,361,436
Contracted Services	4,193,313	4,923,087	4,903,543	4,903,543
Subtotal	\$ 76,900,106	\$ 75,315,466	\$ 76,977,037	\$ 78,264,979
Other State Operations	7,273,053	12,590,655	12,897,565	12,897,565
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	123,826,569	142,905,853	117,377,677	134,856,110
Capital	1,050,000	1,200,000	1,900,000	1,900,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 209,049,728	\$ 232,011,974	\$ 209,152,279	\$ 227,918,654
Sources of Funds				
General Revenue	\$ 145,855,862	\$ 166,516,568	\$ 148,637,206	\$ 161,614,041
Federal Aid	59,015,159	61,410,193	55,940,651	61,730,191
Restricted Receipts	3,128,707	2,885,213	2,674,422	2,674,422
Other	1,050,000	1,200,000	1,900,000	1,900,000
Total	\$ 209,049,728	\$ 232,011,974	\$ 209,152,279	\$ 227,918,654
FTE Authorization	616.5	616.5	619.5	631.5

Summary. The Department of Children, Youth and Families requested \$225.4 million from all sources, including \$164.5 million from general revenues, \$57.6 million from federal funds, \$2.9 million from restricted receipts, and \$0.4 million from Rhode Island Capital Plan funds. This is \$16.3 million more than enacted including \$18.6 million more from general revenues, \$1.4 million less from federal funds, \$0.2 million less from restricted receipts, and \$0.6 million less from Rhode Island Capital Plan funds. The increased request primarily reflects a rate increase for foster care, cost increases for placement services, unachieved savings from initiatives included in the enacted budget and the state's payment for its settlement from litigation with Children's Rights. The Department requested the current authorized staffing level of 616.5 full-time equivalent positions.

The Governor recommended \$209.2 million from all sources, including \$148.6 million from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$4.3 million less than enacted from all sources, which is \$0.6 million less than requested. The Governor recommended 619.5 full-time equivalent positions, 3.0 more than enacted.

The Assembly provided \$227.9 million from all sources, including \$161.6 million from general revenues, \$61.7 million from federal funds, \$2.7 million from restricted receipts and \$1.9 million from Rhode Island Capital Plan funds. This is \$18.8 million more than recommended, including \$13.0 million more from general revenues and \$5.8 million more from federal funds. The Assembly also transferred 12.0 finance positions that were part of the consolidation of finance positions in the Executive Office of Health and Human Services' budget in FY 2018 back to the Department.

It should also be noted that the Assembly provided \$300,000 from general revenues in the Department of Administration's budget to fund a data analytics pilot to support the mission of the Department of Children, Youth and Families.

Target Issues. The Budget Office provided the Department with a general revenue target of \$133.4 million. The amount includes current service adjustments of \$2.0 million and a 10.0 percent target reduction of \$14.5 million.

FY 2019 Budget	Budget Office	Children, Youth and Families	Difference
FY 2018 Enacted	\$ 145,855,862	\$ 145,855,862	\$ -
Current Service Adjustments	1,995,838	11,620,760	9,624,922
New Initiatives	-	6,975,048	6,975,048
Change to FY 2018 Enacted	\$ 1,995,838	\$ 18,595,808	\$ 9,624,922
FY 2019 Current Service/Unconstrained Request	\$ 147,851,700	\$ 164,451,670	\$ 9,624,922
Target Reduction/Initiatives	(14,494,654)	(11,154,533)	3,340,121
FY 2019 Constrained Target/Request	\$ 133,357,046	\$ 153,297,137	\$ 19,940,091
<i>Change to FY 2018 Enacted</i>	<i>\$ (12,498,816)</i>	<i>\$ 7,441,275</i>	<i>\$ 19,940,091</i>

The constrained budget submitted by the agency is \$19.9 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the recommendation is \$11.9 million more than the target. The enacted budget is \$24.8 million above the target.*

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$1.3 million from general revenues for FY 2019.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department, the budget identifies \$0.3 million from a voluntary retirement incentive as a measure to reach the undistributed savings goal. The Assembly concurred.*

Staffing. The Department requested the current authorized level of 616.5 positions for FY 2019. The request shifts positions between programs. The request adds 8.0 positions to central management and 4.0 to juvenile corrections but lowers the staffing in the Divisions of Children's Behavioral Health and Child Welfare. The following table shows authorized and filled positions for FY 2012 through the January 20

pay period of FY 2018. As of the pay period ending January 20, 2018, there were 557.0 filled positions and 62.5 vacancies which is an increase of 25.9 filled positions compared to FY 2017.

The FY 2017 enacted budget reduced the number of authorized positions by 43.0 to reflect the elimination of vacant positions. The FY 2018 enacted budget transferred 12.0 finance staff to the Executive Office of Health and Human Services and eliminated a position funded through the Office of the Governor. The budget also eliminated 9.0 full-time equivalent teacher positions at the Training School and a vacant one in Juvenile Corrections which were reallocated to the Child Welfare and Central Management divisions.

FTEs							
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Authorized	665.5	671.5	670.5	672.5	672.5	628.5	619.5
Average Filled	611.5	585.0	587.2	571.2	548.8	531.1	557.0
<i>Vacancies</i>	<i>(54.0)</i>	<i>(86.5)</i>	<i>(83.3)</i>	<i>(101.3)</i>	<i>(123.7)</i>	<i>(97.4)</i>	<i>(62.5)</i>

The Governor recommended 619.5 positions. The Governor added seven positions for the new Voluntary Extension of Care program and eliminated four vacant case management positions.

By program, the budget moves other positions around, but the changes cannot be explained. For example there are two Training School superintendent positions listed. This makes it difficult to analyze the personnel recommendation and these issues were explored in budget hearings.

The enacted authorization, Department's request and Governor's recommendation along with the changes to the enacted budget are shown in the following table.

Division	FY 2018 Enacted	Department Request	Request to Enacted	FY 2019 Governor	Governor to Enacted	FY 2019 Enacted
Central Management	51.0	59.0	8.0	57.0	6.0	69.0
Children's Behavioral Health	16.0	14.0	(2.0)	14.0	(2.0)	14.0
Child Welfare	380.0	371.0	(9.0)	375.0	(5.0)	375.0
Juvenile Corrections	169.0	173.0	4.0	174.0	5.0	174.0
Reconcile to FTE	0.5	(0.5)	(1.0)	(0.5)	(1.0)	(0.5)
Total	616.5	616.5	0.0	619.5	3.0	631.5

The Assembly provided 631.5 positions, 12.0 more than recommended to reflect the transfer back of the consolidated finance positions in the Executive Office of Health and Human Services' budget to the sending agencies. The Governor's FY 2018 revised and FY 2019 recommendations did not transfer the funding to the Executive Office's budget so the resources were still reflected in the budgets of the umbrella agencies. This distorted how the positions were allocated making it difficult to analyze staffing patterns in the agencies.

Placements and Services

System of Care Replacement Contracts. On March 31, 2016, the Department issued a Request for Proposals to replace the System of Care services contracted through the two networks, Family Service of Rhode Island and Children and Family Services, that ended March 31, 2016. The Department was seeking to build upon its strengths and improve in the following priority areas: strengthen families to increase the proportion of children who can be safely maintained in their own home; increase care in family settings; improve placement and permanency for adolescents; and sustain reunification.

During FY 2017, the Department negotiated the terms and reimbursements with each of the providers that resulted in 117 separate contracts with 37 community agencies to provide the array of home and placement

based services identified in the proposal. The contracts were signed on January 1, 2017 with most lasting 18 months. Added together, the maximum value of all the contracts totals \$170.6 million. The contracts also identified capacity and services to be provided.

As part of the process, each provider was required to describe its readiness to bill Medicaid and private health plans for covered activities and services. The responses varied among the submissions. Several currently bill Medicaid in other states, but not Rhode Island. Others are able to bill Medicaid for services in Rhode Island provided through the other human service agencies, such as the Executive Office of Health and Human Services but do not for the Department of Children, Youth and Families. Others are willing to bill this way but need support and some guidance; and a few bill for certain services but not the array of services provided. Each individual contract also has a provision that the parties acknowledge that the Department is moving toward the provider doing direct billing with Medicaid in order to maximize federal funding to the state. The ability of the Department to increase its Medicaid billings results in direct savings from general revenues.

The contracts stipulate that the providers agree to submit claims directly to the state Medicaid Management Information System provided through the state's four human service agencies, including the Department of Children, Youth and Families when it is requested by the Department. The Department also agrees to work with the contractor as it prepares to direct bill Medicaid, understanding that the provider may need to take steps to prepare to direct bill for Medicaid services.

These services include congregate care placements formerly provided through the System of Care Networks, including home based services for children, youth and families to develop skills, resources, and natural support to remain safely together and avoid removal, placement-based services for children, youth and families that require temporary out-of-home care, providing effective clinical treatment and addressing other barriers to returning to family-like settings, and preparing youth for independence, and home based services for children, youth and families reunifying from an out-of-home care or otherwise transitioning to and sustaining permanency. *The Governor's budget includes savings from reducing rates paid for congregate care and realignment of resources for other contracts. **The Assembly assumed a portion of the savings could be achieved; each is discussed separately.***

18-21 Year Olds - YESS program. The Department requested the enacted amount of \$1.7 million from general revenues for the contract with Foster Forward to provide services through the YESS program to individuals 18 through 21 who are exiting the Department's care and oversight. Services provided include housing expenses, financial literacy classes, non-clinical case management and assistance with self-sufficiency plans. A program participant must attend school or maintain employment in order to receive services. Those who are not employed or in school can work with a support specialist on a plan in order to maintain eligibility for services. There are approximately 180 youth receiving services through this program.

*The Governor recommended only \$0.3 million from general revenues for these services. This is based on a \$0.2 million one-time payment to cover a 45-day transition period from the YESS program to a new program within the Department. It also includes \$89,000 for services to those who do not participate in the new program. **The Assembly concurred.***

18-21 Year Olds. Currently the state provides transitional services, including residential, for individuals age 18 to 21 who have a serious emotional disturbance or a developmental disability and remain under the care of the Department. Anyone not meeting that criteria are closed to the Department on their 18th birthday and may receive services through the YESS program, described above.

The Department's request includes \$6.1 million less from all sources, including \$1.0 million less from general revenues for services to individuals 18 through 21 years old formerly in the Department's care for

total funding of \$14.8 million, including \$12.3 million from general revenues. This is consistent with the revised request. The enacted budget assumed general revenue savings of \$4.0 million through additional federal funding from increased billings for Medicaid eligible services. This included \$2.0 million for FY 2018 and the ability to backbill for prior services under claiming for Medicaid to achieve the remaining \$2.0 million in savings. The Department reported those savings will not be achieved. It further reduced the total expected to be spent on this population to be more in line with FY 2017 expenses.

The enacted savings assumes leveraging more Medicaid funds for services provided to this population based on 30 percent of annual costs being matched as opposed to 18 percent in the Governor's recommendation. There is a current agreement between the Department and the Executive Office of Health and Human Services to leverage Medicaid for the services provided.

As noted earlier, the Department is moving towards a direct billing system that reduces the labor-intensive time study methods currently used. That action may result in general revenue savings in other programs that would allow it to meet the savings included in the enacted budget. It appears that some of the Department's internal policies have hampered its ability to claim additional federal funding. *The Governor recommended funding as requested. The Assembly concurred.*

Voluntary Extension of Care. As noted, the Department contracts with Foster Forward to provide services such as housing expenses, financial literacy classes, non-clinical case management and assistance with self-sufficiency plans to youth ages 18 to 21 who are no longer under the direct care of the Department. This is entirely funded from general revenues. The federal Fostering Connections to Success and Increasing Adoptions Act of 2008 allows states to leverage Title IV-E funding for 18 to 21 year olds if they remain under state care. Since this population is currently not under state care, federal funds cannot be accessed without a change to the program. Eligibility to claim the federal funding is based on the individual's income unlike traditional Title IV-E, which is based on the underlying family income making it more likely that the state can claim Title IV-E funds.

The Governor included Article 15 to establish the Voluntary Extension of Care program for individuals who are exiting the foster care and adoption assistance programs. This would allow an individual to choose to remain in state care with the Family Court retaining oversight. The article outlines new responsibilities for the Department under the program. It appears this program will be open to individuals who have not been in state care for a couple of years. The Governor's budget assumes use of \$1.7 million from general revenues formerly dedicated to the YESS program and leveraging another \$0.6 million from federal funds for the services. The Governor added six new social workers and one new supervisor so that the services can be brought back under the Department's purview. It appears the general revenue cost is expected to grow for FY 2020 by \$1.0 million. The Governor requested an amendment to Article 15 to provide a vocational assessment when requested by the program participant and in collaboration with the Departments of Children, Youth and Families and Labor and Training along with the Governor's Workforce Board.

The Assembly concurred with the recommendation for the new program to allow individuals to either remain under or return to the Department's care and receive residential support as well as educational and job training services with oversight from Family Court in coordination with the Department. The Assembly included Sections 1 through 4 of Article 15 of 2018-H 7200, Substitute A, as amended, for the state to leverage available federal funds and establish the program.

Congregate Care. The Department requested \$78.7 million from all sources, including \$56.0 million from general revenues for congregate care services and placements for individuals through age 18. This is \$11.0 million more than enacted, including \$8.6 million from general revenues, \$2.3 million more from federal funds and \$0.2 million more from restricted receipts.

The enacted budget includes saving of \$9.4 million, of which \$3.8 million is from general revenues, from a reduction in the use of congregate care placements. Those savings are not being achieved. The Department believes that the FY 2018 budget did not properly account for the cost of its new contracts. However, documents supporting the Governor’s recommendation suggest otherwise. The request restores the savings included in the enacted budget and also adds \$1.6 million, including \$4.8 million from general revenues for services provided through the new contract.

The Governor recommended \$76.2 million which is \$8.5 million more than enacted and \$53.7 million from general revenues, which is \$6.3 million more than enacted. This is \$2.5 million less than requested, including \$2.3 million less from general revenues. She assumed \$25.0 million is needed for baseline program costs based on current trends. She also included six proposals that reduce those expenses by \$15.6 million, including \$12.9 million from general revenues.

The Assembly added \$17.2 million to the recommendation, including \$12.7 million from general revenues for services in FY 2019 based on spending patterns through the third quarter of FY 2018. The Assembly included \$35.4 million for baseline caseload costs, \$10.4 million more than recommended. It offset those expenses with savings of \$8.8 million from all sources, which is \$6.8 million less than recommended. General revenue savings are \$9.7 million, \$3.2 million less than the \$12.9 million included the recommended budget.

It should be noted that although the Department reduced the number of youth in congregate care in FY 2018, including those in an out-of-state placement, the increased daily reimbursements for those placements that are part of the new contract that impacted program costs for FY 2018 are expected to continue into FY 2019.

The Governor’s proposed changes and the Assembly action are listed in the following table and discussed separately.

FY 2019 Enacted	Governor's Recommendation		Assembly		Assembly to Gov. Rec	
	General Revenues	Total	General Revenues	Total	General Revenues	Total
Current Service Adjustment	\$ 20,287,638	\$ 24,966,047	\$ 29,761,925	\$ 35,372,584	\$ 9,474,287	\$ 10,406,537
Institutional Services Reduction	(4,033,132)	(7,238,641)	(1,887,759)	(3,100,912)	2,145,403	4,137,719
Congregate Care Reduction	(3,282,862)	(4,473,033)	(2,450,961)	(3,278,032)	831,901	1,195,001
Contract Reductions	(2,479,554)	(2,870,008)	(1,242,252)	(1,379,832)	1,237,302	1,490,176
Enhanced Family Support Services	(630,526)	(1,050,874)	(630,526)	(1,050,874)	-	-
Title IV-E	(2,000,000)	-	(2,000,000)	-	-	-
Medicaid Claiming	(500,000)	-	(1,500,000)	-	(1,000,000)	-
Total	\$ 7,361,564	\$ 9,333,491	\$ 20,050,457	\$ 26,562,924	\$ 12,688,893	\$ 17,229,433
<i>Savings Initiatives</i>	<i>\$ (12,926,074)</i>	<i>\$ (15,632,556)</i>	<i>\$ (9,711,498)</i>	<i>\$ (8,809,650)</i>	<i>\$ 3,214,606</i>	<i>\$ 6,822,896</i>

Institutional Services Reduction. The Department submitted a corrective action plan in November 2017 to address overspending in FY 2018. The Department reported that the average per diem had increased from \$274.06 to \$346.15 for out-of-home placements. The plan included a 12.5 percent reduction to institutional care rates.

The Governor’s recommendation includes savings of \$7.2 million from renegotiating rates paid for institutional services and instituting rates that are consistent between providers performing similar services. The rates vary by provider based on the separate contracts that providers entered into with the Department, not by the service delivered. The Assembly included savings of \$3.1 million from this proposal, of which \$1.9 million is from general revenues.

Constrained - Congregate Care Reduction. The Department's constrained request includes a proposal to save \$3.9 million from all sources, including \$2.9 million from general revenues, to be achieved by reducing the share of its caseload in congregate care placements 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 2017, approximately 20 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 by another five percent to roughly 15 percent.

The proposal assumes continued review of caseload, ongoing collaboration with the Family Court, establishing a level of need tool and protocols and policies to ensure referrals to home and community based services where it is appropriate, increased effort to identify kinship placements, ongoing review of group home providers and outreach to community leaders to promote children remaining in their neighborhoods.

*The Governor assumed savings of \$4.5 million, \$0.5 million greater than proposed. The general revenue savings total \$3.3 million, \$0.4 million greater than requested. **The Assembly included savings of \$3.3 million, of which \$2.5 million is from general revenues.***

Contract Reductions. The Department submitted a corrective action plan in November 2017 to address overspending in FY 2018. As part of that plan, the Department included general revenue savings of \$1.2 million from a reduction to other contracts including rates and census reductions. *The Governor's recommendation includes savings of \$4.5 million from contract reductions. The revised budget also includes savings from this action. **The Assembly included savings of \$1.4 million, of which \$1.2 million is from general revenues.***

Enhanced Family Support Services. The Department submitted a corrective action plan in November 2017 to address overspending in FY 2018. The Department assumed general revenue savings of \$0.3 million, from shifting family support services to the lower cost daily rate of \$32.58 through the family stabilization program from the higher rate of \$85.90 for services through the Preserving Families Network program. Supporting documentation notes that this change was effective January 1, 2018.

*The Governor's budget includes savings of \$1.1 million, including \$0.6 million from general revenues, from a full year of savings from this change made for FY 2018. **The Assembly concurred.***

Constrained - Title IV-E Claiming. The Department proposed savings of \$1.2 million from general revenues from increased claiming of federal Title IV-E resources. The Department reported that it would continue its efforts to increase its claiming opportunities through data sharing and program improvement initiatives.

The Department reported that it will modify its licensing requirements for kinship foster care placements, which will decrease the number of foster placement expenses not eligible to be matched by federal funds. The Department has reported that as a result of the state's housing requirements for lead levels and mitigation there are situations where a kinship placement is not able to be licensed. The placement can be approved and payments made but the state cannot leverage Title IV-E funds because it is not a licensed placement. Changing the state law pertaining to foster care homes would allow the state to leverage the federal funds in lieu of using general revenues. *The Governor included general revenue savings of \$2.0 million from enhanced claiming. Supporting documents suggest that data sharing and program improvements will allow these savings to be achieved. **The Assembly concurred.***

Constrained – Medicaid Claiming. The Department proposed savings of \$350,000 from general revenues from increased claiming of Medicaid funds for certain community based services. The Department reported that it will increase its efforts with community based service providers and will focus on separating any

potential Medicaid activities from the current bundled rates. *The Governor included general revenue savings of \$0.5 million from increased claiming. Supporting documents suggest that data sharing and program improvements will allow these savings to be achieved.* **The Assembly concurred and also included general revenue savings of \$1.0 million anticipating acceptance of a new Medicaid waiver initiative to leverage federal funding for children whose families have placed them under the Department’s care voluntarily. This initiative was developed after the Governor’s budget was submitted and savings assume a January 1, 2019 start date.**

Unachieved Savings – SSI Recovery. The enacted budget assumes general revenue savings of \$0.3 million by shifting additional expenditures to restricted receipts for the children’s trust account based on increased claiming of Supplemental Security Income funds administered by the Social Security Administration. This was consistent with the budget assumptions for FY 2017. The Department reported that the savings would not be achieved and its collections would be \$2.4 million, consistent with FY 2017 actuals and adjusts funding accordingly.

It should be noted that the Department collected \$2.7 million in FY 2015; FY 2016 collections were \$2.4 million despite an initiative to enhance this effort.

The Department reported that it experienced difficulties when enhancing its collection efforts during FY 2016 and FY 2017. The Department attributed this to a lack of proper documentation for many of the children deemed potentially eligible to receive the Supplemental Security Income benefit. Documentation includes: birth certificate, social security number and up to-date evaluations that include medical, clinical and school evaluations, and other appropriate materials. It is unclear why these documentation difficulties cannot be overcome. *The Governor recommended funding as requested.* **The Assembly concurred.**

Foster Care and Adoption Assistance. The Department requested \$37.9 million from all sources, including \$28.4 million from general revenues, \$9.2 million from federal funds and \$0.3 million from restricted receipts collected from Supplemental Security Income payments made for children in state care to pay for foster care and adoption assistance services. This is \$9.8 million more than enacted from all sources, including \$7.6 million more from general revenues, \$1.9 million more from federal funds and \$0.3 million more from restricted receipts for foster care and adoption assistance services. *The Governor recommended \$34.4 million, including \$25.2 million from general revenues. The recommendation is \$2.3 million less than requested and \$6.9 million more than enacted. She increased foster care rates, addressed capacity issues and included funding for home studies; each is discussed separately.* **The Assembly added \$2.0 million from general revenues based on an increase in foster care placements reflected in FY 2018 budget revisions, including the use of specialized foster care placements.**

Foster Care Rates. The Department requested \$5.4 million from all sources, including \$4.3 million from general revenues to at least double the current rates paid for foster care. The table below shows the proposed rate increase by age cohort.

Foster Care Rates Per Diem					
Current Rates		Department's Proposal		Gov. Rec/Assembly	
Birth to 3	\$ 17.95	Birth to 5	\$ 35.97	Birth to 3	\$ 21.92
Age 4 to 11	\$ 19.26	Age 6 to 11	\$ 40.85	Age 4 to 11	\$ 24.71
12 and older	\$ 21.01	12 and older	\$ 42.64	12 and older	\$ 26.26

It should be noted that the Department’s plan to pay for the rate increase assumes the use of \$0.3 million from restricted receipts that it collects for a child’s monthly Supplemental Security Income payments. As previously noted, the Department has consistently been unable to increase those collections. If this proposal

is accepted, and those collections are not realized, then the rate increase will require additional general revenues.

The Department excluded the rate increase in its constrained request.

*The Governor recommended \$1.4 million to increase the rates by 22 percent for children birth to age 3, by 28 percent for those ages 4 to 11 and by 25 percent for ages 12 and older, which are itemized in the table above. The budget includes \$0.1 million from restricted receipts to support the rate increase which would be effective July 1, 2018. **The Assembly concurred.***

Foster Care Capacity. The Department also added \$4.4 million from all sources for its projected increase in capacity when new home studies, taking place during FY 2018, are completed. This is part of its effort to reduce congregate care placements. *The Governor recommended \$5.4 million, including \$3.6 million from general revenues to add capacity. **As noted, the Assembly added \$2.0 million primarily for increased placements in specialized foster care settings.***

Foster Care Home Studies. The revised request also adds \$700,000 for additional home studies to increase the availability of foster care families. The Department also included this funding in its FY 2019 request. This will increase the Department's capacity to evaluate and process potential foster care families in a more efficient and timely manner.

Currently there are four community providers that perform the home study services: Community Care Alliance, Family Service of Rhode Island, Deveraux Foundation and Children's Friends and Services. The contracts include an \$50 hourly rate for services not to exceed 20 hours for one potential foster family unless approved by the Department. *The Governor recommended funding as requested. **The Assembly concurred.***

Unified Statewide Education Plan/Third Grade Reading. The Department of Elementary and Secondary Education requested \$270,000 from general revenues for a new curriculum fellowship position and to fund external partnerships that would provide coherence to the state's curriculum practices. More specifically, funding would support the ongoing work to define high quality curriculum, build tools to supplement curriculum materials, and support districts' use of tools to review their curriculum and instructional practices. The Department reported that this funding would support the first year of a multiyear unified approach to statewide education.

*The Governor recommended total funding of \$100,000 specifically for investments in high quality early learning curriculum in the Department of Elementary and Secondary Education's budget. She also included \$6,300 from general revenues in the Department of Children, Youth and Families' budget to increase the contract with Seven Hills to \$63,000 for referrals to First Connections and early intervention services. **The Assembly concurred.***

Day Care. The Department requested \$6.1 million for daycare subsidies for children in the Department's care, including \$5.0 million from general revenues and \$1.0 million from federal funds. This is consistent with the enacted level, but \$0.7 million more than FY 2017 actual spending. The Department reported there are approximately 1,200 children receiving day care services; however, there are still reporting issues related to the Unified Health Infrastructure Project that impacts the Department's ability to track spending.

*The Governor recommended funding as requested. It should also be noted that the Governor included Section 9 of Article 15 to increase the rates paid for subsidized child care through the Department of Human Services. Any impact for that change to the payments made for children in the Department's custody has not been accounted for in this recommendation. **The Assembly concurred and included \$0.2 million from federal funds for the increased rates.***

Other Services. The Department requested \$3.0 million, including \$1.9 million from general revenues for all other placements and services provided to client populations. This is \$1.6 million less than enacted, including \$0.2 million less from general revenues, \$1.3 million less from federal funds, and \$29,776 less from restricted receipts. This includes \$0.1 million less from the mental health block grant, \$0.2 million less for education and training federal funds, \$0.3 million less from A Family for Every Child grant and \$0.2 million less from a Child Abuse and Neglect grant. *The Governor recommended funding as requested.*
The Assembly concurred.

Salaries and Benefits. The Department requested \$47.3 million, including \$28.4 million from general revenues and \$19.0 million from general revenues for staffing expenses for the 385.0 positions assigned to the child welfare and children's behavioral health services divisions. This is \$0.8 million more than enacted, including \$0.4 million from general revenues. The request appears to fund 366.0 positions and assumes the equivalent of 19 would be kept vacant.

The Governor recommended \$1.8 million less than requested, including \$1.3 million less from general revenues. It appears to fund 359.6 positions, 6.4 fewer than requested. Additionally, the Governor's recommendation appears to assume a 5.0 percent lower cost per position than requested. **The Assembly added \$0.7 million from general revenues for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Other Operating. The Department requested \$0.2 million more from all sources for all other operations, including \$0.5 million more from general revenues for total funding of \$7.0 million, including \$5.3 million from general revenues for other operations in child welfare and children's behavioral health. This includes \$2.2 million for rent, \$2.4 million for contracted services including temporary and clerical as well as financial and technology services, and \$2.4 million for other operating expenses in two divisions. This is \$0.4 million more from general revenues than enacted for clerical, janitorial and temporary services. *The Governor reduced general revenues by \$102,000 because the Department made the final payments for 13 new vehicles purchased through the state's fleet revolving loan fund in FY 2018.* **The Assembly concurred.**

Juvenile Corrections

Salaries and Benefits. The Department requested \$19.1 million for salaries and benefits supporting Juvenile Corrections, which is \$0.2 million more than enacted primarily from general revenues. The request is also \$0.7 million more than the revised request. Based on an average cost per position of \$105,477 within Juvenile Corrections, the request leaves approximately 7.0 positions vacant and provides funding for 165.8 positions. This is 5.0 more positions than the program totals assumed in the enacted budget which also had numerous changes among programs.

The changes include \$0.7 million more for the Training School and \$0.5 million less for probation and parole services. 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.

The Governor recommended \$0.2 million more than requested and 174 positions, 1.0 more than requested. Supporting documentation indicates that a second superintendent has been added which appears to be an error, so it is unclear what the correct number of positions assigned to this division should be. This makes it difficult to analyze the staffing needs of the division. **The Assembly added \$0.5 million for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Education Costs. The Department included \$2.6 million for education costs for youth at the Training School. All but \$18,000 is from general revenues. The request is \$0.1 million more than enacted and \$13,797 less from federal funds in FY 2019. The request includes \$2.3 million for staffing costs and \$0.3

million for contracted services and other operating expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Constrained - 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 \$2.2 million from general revenues. This would require a change to current law. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Counseling and Other Services. The Department requested \$2.0 million from general revenues for counseling services through a number of community based agencies including East Bay Community Action Program, South County Community Action Program, and Tides Family Services. This is \$0.1 million less from general revenues and is \$0.6 million less than spent in FY 2017. The Department indicated that as a condition of release from the Training School or out-of-home placements, the Family Court along with a caseworker or probation officer work with youths to continue the counseling that they were receiving while incarcerated. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operating. The Department requested \$1.8 million for other operations, including \$1.7 million from general revenues and \$0.1 million from federal funds for all other operating expenses. This is \$13,204 more from all sources, including \$24,100 less from general revenues. This includes \$0.5 million for maintenance and repairs, \$0.5 million for office supplies and general expenses, \$0.4 million for clothing and food, \$0.1 million for medical services and \$0.3 million for contracted janitorial, clerical and legal services. *The Governor recommended funding as requested.* **The Assembly concurred.**

Overhead and Other Programs

Children's Rights Settlement. The Department requested \$1.6 million from general revenues for the state's settlement with Children's Rights. The settlement has recently been finalized but as of January 12, 2018, no specific information had been made public as to what the payment is for or how the settlement impacts funding for the Department's programs in the FY 2018 revised or FY 2019 request. The Department also included \$1.6 million in its FY 2019 request.

The Governor did not include a payment for FY 2018 or FY 2019 because the FY 2017 audited financial statements released in early January account for a \$3.5 million payable in anticipation of this settlement and the need to pay legal costs. It appears the actual cost will be \$3.4 million. As part of the agreement, the Child Advocate has been named as part of the monitoring team along with an independent evaluator who is also the final arbiter of the data submitted by the Department as part of the agreement. **The Assembly concurred.**

Child Welfare Institute Contract. The revised request includes \$0.1 million more for social caseworker training through the Child Welfare Institute at Rhode Island College to prepare caseworkers for field work before taking on a client caseload. This is for the final six months of FY 2018 and the FY 2019 request includes a full year at \$0.2 million from general revenues. Funding for the contract was not included in the enacted budget because the Department did not request it nor did the Governor recommend any funding for the training.

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 indicated 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 was included in the FY 2017 revised request to develop in-house capacity, which the Governor recommended but the Assembly did not appropriate

because the plan was not implemented. *The Governor recommended funding as requested.* **The Assembly concurred. The Department is in the process of entering into an agreement with the College.**

Salaries and Benefits. The Department included \$6.4 million for staffing including \$4.5 million from general revenues and \$1.9 million from federal funds. This is \$0.8 million less from all sources, including \$0.3 million less from general revenues and \$0.5 million less from federal funds. This is consistent with the revised request. The total funding includes support for 12.0 positions that are under control of the Executive Office of Health and Human Services, consistent with the enacted budget. The request identifies 59.0 other positions as being assigned to Central Management, which is 8.0 more than enacted but shifted from other divisions.

The Governor's recommendation is \$0.1 million more than requested, primarily from general revenues. As previously noted, the budget moves positions between divisions and the funding does not appear to be transparently presented in the supporting budget documents, so it is difficult to determine which staff are funded where. These issues were explored in the budget hearing process. **The Assembly added \$0.1 million for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Energy Efficiencies - Unachieved Savings. The enacted budget includes savings of \$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 noted that this would require upfront capital investments of \$420,000 so that the savings could be achieved. Although the Governor's recommendation included the savings she did not include funding for the upfront capital investments in the Department's budget. It was noted that funding in the Department of Administration's recommended budget for energy efficiency upgrades could be used for this purpose. The upgrades were not made and no savings have been achieved. The request restores the savings. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rental Property. The Department requested \$2.6 million, primarily from general revenues to make rental payments for outside property, including the main office at 101 Friendship Street; this is \$0.1 million more than enacted. *The Governor recommended general revenue savings of \$50,000 from moving staff, including management and budget, and communications and licensing, to an as yet unidentified space at the Pastore Center in Cranston. To meet the savings, there is an anticipated reduction in shuttle costs and the need for parking spaces in Providence.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$4.4 million from all sources, including \$3.4 million from general revenues for the Department's share of centralized services. This includes \$2.3 million, including \$1.5 million from general revenues for information technology, \$1.2 million from general revenues for facilities management, and \$0.8 million, including \$0.7 million from general for human resources. The recommendation also includes the \$0.9 million requested by the Department for information technology services which may overstate the centralized costs.* **The Assembly concurred.**

Higher Education Grants. The Department included \$200,000 from general revenues to pay for higher education costs for students formerly in foster care.

The Department eliminated this benefit in its constrained request. This would require a statutory change to the program that is capped at \$200,000 annually. The Department reported that in lieu of this benefit youth

are now able to seek assistance through the Rhode Island Promise program. *The Governor recommended funding consistent with the enacted budget.* **The Assembly concurred.**

Asset Protection. The Department's request includes \$0.4 million from Rhode Island Capital Plan funds for capital projects, which is \$0.6 million less than enacted and is consistent with the capital budget request. Changes to the enacted budget include \$250,000 more for repairs and improvements to the Training School, \$0.4 million more to refurbish the former North American Family Institute building into a new storage and maintenance facility for the Training School, and \$0.6 million less to upgrade fire detection and sprinkler systems in provider group homes and residential facilities. *The Governor included \$1.5 million more than requested.* **The Assembly concurred. The projects are discussed in detail in the Capital Budget section of this publication.**

Other Operating. The Department requested \$3.2 million from all sources for other operating expenses, including \$2.8 million from general revenues and \$0.4 million from federal funds. This is \$0.5 million more than enacted primarily from general revenues and includes \$0.4 million more for contracted clerical and temporary services. This is consistent with the revised request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Department of Health

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 9,412,255	\$ 12,761,388	\$ 12,327,395	\$ 12,319,785
Community Health and Equity	104,683,926	101,702,793	103,769,436	103,746,864
Environmental Health	12,665,281	12,767,495	13,224,255	13,273,872
Health Lab. & Medical Examiner	11,565,607	12,073,128	12,411,093	12,578,985
Customer Services	11,605,253	11,371,706	11,524,530	12,118,579
Policy, Information & Communications	4,065,011	5,184,449	4,670,324	4,690,126
Preparedness, Response, Infectious Disease & Emergency Services	15,648,088	14,951,488	15,364,499	15,383,478
Total	\$ 169,645,421	\$ 170,812,447	\$ 173,291,532	\$ 174,111,689
Expenditures by Category				
Salaries and Benefits	\$ 58,055,923	\$ 54,275,826	\$ 58,496,456	\$ 59,099,534
Contracted Services	9,294,917	9,416,466	9,935,757	10,007,686
Subtotal	\$ 67,350,840	\$ 63,692,292	\$ 68,432,213	\$ 69,107,220
Other State Operations	55,492,237	62,774,247	63,490,114	63,533,324
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	46,511,976	43,975,204	40,902,910	40,902,910
Capital	290,368	370,704	466,295	568,235
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 169,645,421	\$ 170,812,447	\$ 173,291,532	\$ 174,111,689
Sources of Funds				
General Revenue	\$ 24,893,123	\$ 26,587,117	\$ 28,009,223	\$ 28,963,829
Federal Aid	105,373,312	100,313,716	101,309,823	101,214,203
Restricted Receipts	39,378,986	43,911,614	43,972,486	43,933,657
Other	-	-	-	-
Total	\$ 169,645,421	\$ 170,812,447	\$ 173,291,532	\$ 174,111,689
FTE Authorization	493.6	506.6	504.6	514.6

Summary. The Department of Health requested expenditures of \$171.1 million from all sources, including \$27.8 million from general revenues. The request is \$1.5 million more than enacted, including increases of \$2.9 million from general revenues and \$3.1 million from restricted receipts, and \$4.6 million less from federal funds. The Department requested staffing authorization of 499.4 full-time equivalent positions, 5.8 positions more than authorized. This includes 6.0 new positions and a program reduction of 0.2 full-time equivalent positions, consistent with the revised request.

The Governor recommended \$173.3 million from all sources, including \$28.0 million from general revenues. This is \$3.6 million more than enacted. Excluding expenses for centralized services transferred from the Department of Administration, the recommendation is \$1.6 million less than enacted and \$3.0 million less than requested.

The Governor recommended staffing of 504.6 full-time equivalent positions, 2.0 positions fewer than the revised budget to reflect the transfer of staff supporting several boards and commissions to the Department of Business Regulation. Consistent with the revised budget, the recommendation includes authorization for 13.0 new positions. It is assumed that these positions will be funded with restricted receipts and federal opioid surveillance and prescription drug overdose prevention funds that the Department received.

The Governor subsequently requested two amendments providing the Department with \$0.3 million from general revenues and 1.0 new position to implement federal Real ID requirements and the second amendment authorized the chief of the Office of Vital Records to assess surcharges for certified records.

The Assembly provided expenditures of \$174.1 million, including \$29.0 million from general revenues. This is \$0.9 million more than recommended, of which \$0.5 million is for statewide cost-of-living adjustments. The Assembly did not concur with the proposal to transfer licensure of several health professionals to the Department of Business Regulation, and authorized the receipts from the vital record surcharges to be deposited into the Information Technology Investment Fund indefinitely. It included staffing of 514.6 positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$23.1 million. The amount includes current service adjustments of \$0.8 million and a 10.0 percent target reduction of \$2.6 million. The request is \$2.1 million more than the current service estimate, including \$0.6 million for the new positions, \$0.3 million for maintenance of the Vital Record System, \$0.5 million to upgrade the lead elimination surveillance system, and several other initiatives.

FY 2019 Budget	Budget Office		Health		Difference
FY 2018 Enacted	\$	24,893,123	\$	24,893,123	\$ -
Current Service Adjustments		824,869		824,869	-
New Initiatives		-		2,070,683	2,070,683
Change to FY 2018 Enacted	\$	824,869	\$	2,895,552	\$ 2,070,683
FY 2019 Current Service	\$	25,717,992	\$	27,788,675	\$ 2,070,683
Target Reduction/Initiatives		(2,571,799)		(3,695,024)	(1,123,225)
FY 2019 Constrained Target/Request	\$	23,146,193	\$	24,093,651	\$ 947,458
Change to FY 2018 Enacted	\$	(1,746,930)	\$	(799,472)	\$ 947,458

The Department submitted a constrained request; it is \$0.9 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The recommendation is \$4.9 million more than the target, which includes the transfer of \$2.3 million from the Department of Administration for centralized services. The enacted budget is \$5.8 million above the target.*

Statewide Cost-of-Living Adjustment. The Governor recently reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.5 million from general revenues for FY 2019.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education.

*The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Health, the budget identifies \$0.6 million from the voluntary retirement incentive program as a measure to reach the undistributed savings goal. These savings are not assumed in the FY 2019 recommended budget. **The Assembly assumed savings of \$0.2 million, including \$46,055 from general revenues based on longevity savings available from the voluntary retirement incentive program.***

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. The Department's request includes \$1.1 million from federal and restricted receipts for information technology charges in anticipation of the costs being shown in its budget.

*The Governor's budget adds \$5.2 million from all sources including \$2.3 million from general revenues for the Department's share of centralized services. This includes \$1.1 million from general revenues for facilities management, \$0.7 million for human resources, of which \$0.2 million is from general revenues, and \$3.4 million is for information technology services, of which \$1.0 million is from general revenues. **The Assembly concurred.***

Executive Office Staffing. The FY 2018 enacted budget shifted 7.0 positions from the Department 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. *The Governor's FY 2018 revised and FY 2019 recommendations did not transfer the funding to the Executive Office's budget so the resources and positions were still reflected in the budgets of the sending agencies. This distorted how the positions were allocated making it difficult to analyze staffing patterns in the agencies. **The Assembly reversed the transfer of positions to the Executive Office, pending the ability to align funding and staffing.***

Central Management

Federal Grants Management System. The Department requested \$0.3 million from general revenues for its share of the cost to develop a federal grants management system, which will also be integrated with the state's financial, budget, payroll, and time and attendance systems with the grants information. The total project cost with four years of software licensing is \$9.1 million, \$1.7 million of which will be paid with sources from the Information Technology Investment Fund. The remaining cost was allocated to various state agencies. The Department indicated that it has not received federal approval to charge this as a direct expense on any federal grants, and it could not charge the expense on the indirect cost recovery restricted account since it is projecting to exhaust all of those resources without this expense.

The constrained budget removes the requested funding. *The Governor concurred with the constrained request. The recommendation assumes that the Department has non-general revenue resources from its budget to fund this. **The Assembly concurred.***

Minority Health Program. The Department requested \$0.5 million from general revenues for the Minority Health Program, which works to eliminate racial and ethnic health disparities. The request is \$65,001 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, it 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 in its last two budget requests; 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 \$9,081 less than enacted, reflective of turnover savings. The constrained budget removes the requested \$65,000 for the Commission for Health Advocacy and Equity expenditures relating to the Hospital Charity Care regulations. *The Governor concurred with the constrained request and included \$786 more for benefit adjustments. The Assembly concurred.*

Indirect Cost Recovery. The Department of Health uses its indirect cost recovery restricted receipts to offset costs associated with administering federally funded programs. Revenues for the indirect cost recovery account are based on the expenditures of certain federal grants and exclude some expenditures such as assistance and grants. A portion of the federal grants allow a percent cost recovery charge on the actual amount expended.

Excluding costs for centralized services, the request assumes uses of \$4.2 million, including \$3.0 million for salary and benefit costs of 29.5 full-time equivalent positions, consistent with the enacted budget. This is \$0.3 million less than enacted based on updated cost allocation and turnover savings. The request also includes increases for leased copy machines and telephone expenses. *The Governor recommended \$14,163 more than requested for benefit adjustments. The Assembly concurred.*

Other Expenses. The request includes \$4.4 million from all sources of funds, including the enacted amount of \$0.4 million from general revenues for all other costs for the Office of Central Management, which provides the overall leadership for the Department through strategic planning and public health policy development, and centralized administrative services. This is \$0.3 million more than enacted, including \$37,850 less from donations and grants from nonprofits and private entities based on projected receipts, offset by \$0.4 million more from federal funds for a new award that the Department received and will be used to provide mentoring support services. *The Governor recommended \$5,948 more than requested for benefit adjustments. The Assembly concurred and provided funding for cost-of-living adjustments.*

Community Health and Equity

Wise Women Program. The Department requested \$0.9 million, \$15,648 more than enacted from federal funds for the Wise Women Program. The request includes the enacted amount 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. This is \$10,411 more than enacted for updated benefit rates, consistent with FY 2019 planning values. Operating costs of \$0.5 million are \$5,237 more than enacted. This includes slight increases for medical evaluation follow-up services and mileage reimbursements. This is consistent with FY 2017 actual and FY 2018 projected expenditures.

The constrained request removes the enacted general revenue funding. The 2011 Assembly adopted legislation to establish a pilot program and provided \$60,000 from general revenues for a program that resembles the federal program. State statute indicated the program shall expire July 1, 2014 and is subject to appropriation. The Department indicated that if the general revenue support is eliminated, it could lose the federal funds, which does require a one-third percent match or \$0.3 million. The match can be general revenues or third-party in-kind contributions. *The Governor concurred with the constrained request and*

removed the \$60,000 from general revenues. She also added \$1,724 from federal funds for benefit adjustments. **The Assembly concurred.**

Prescription Drug Overdose Prevention. Consistent with the revised request, the Department requested \$2.7 million from federal funds or \$0.9 million more than enacted for prescription drug overdose prevention activities. Of the increase, \$0.3 million will be used to fund two positions for administration of the program, including a public health epidemiologist and a senior public health promotion specialist. The request includes \$0.3 million for software maintenance costs associated with the Prescription Drug Monitoring system, which provides information regarding prescription of controlled substances in order to prevent improper or illegal use of controlled substances, pursuant to Rhode Island General Laws, Section 21-28.3-1. Funds will also be used for targeted campaigns to raise awareness, educate, and prevent drug overdoses. *The Governor recommended \$3,774 more than requested for benefit adjustments.* **The Assembly concurred.**

Immunization Programs. The Department requested \$48.6 million, or \$2.5 million more than enacted from all sources for immunization programs based on vaccine purchasing projections. This includes \$0.1 million less 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 \$2.7 million more from restricted receipt expenditures for child and adult immunizations.

The request includes \$3.1 million for staffing of 26.8 full-time equivalent positions. Salary and benefit costs are \$17,281 less and 0.1 fewer position than enacted, reflective of current staffing allocations and turnover savings. Operating costs are \$2.6 million more than enacted of which \$2.3 million is to purchase vaccines.

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 Laws, Section 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 were included beginning July 1, 2016. *The Governor recommended \$9,690 more than requested for benefit adjustments.* **The Assembly concurred.**

Maternal, Infant & Early Childhood Home Visiting. The Department requested \$5.6 million from federal funds, \$5.3 million less than enacted to reflect updated estimates and the removal of extinguished stimulus grants. This is consistent with the revised request. This program provides families with resources and services such as preventive health and prenatal practices, promoting positive parenting techniques, and finding employment and child care solutions. The request includes \$0.8 million to fund 8.0 full-time equivalent positions for administration of the program. It also includes \$4.2 million to community based organizations for various services. *The Governor recommended \$3,123 more than requested for benefit adjustments.* **The Assembly concurred.**

WIC Nutrition Assistance. The request includes \$25.4 million or \$0.1 million more than enacted 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. The request includes \$1.4 million for salary and benefit costs of 12.0 full-time equivalent positions. This is \$27,326 more and 0.2 fewer positions than enacted. The request includes turnover savings of \$37,064 offset by benefit rate increases consistent with FY 2019 planning values.

The request includes \$21.7 million for direct benefit payments and vendor payments who issue the benefit vouchers to recipients, and \$2.2 million for information technology, claims processing and various program

operating costs. Reported expenditures were \$22.4 million in FY 2017 and the request is \$1.6 million more than FY 2018 anticipated costs. The 2016 Assembly adopted legislation as part of the budget to transfer the program from the Department of Human Services to the Department of Health. *The Governor recommended \$6,379 more than requested for benefit adjustments.* **The Assembly concurred.**

Other Expenses. The request includes \$20.0 million from all sources of funds, including the enacted amount of \$0.6 million from general revenues for all other expenses in the Division of Community Health and Equity, which provides leadership, planning and infrastructure for the Department's efforts to eliminate health disparities, and to reduce, prevent and control chronic diseases and disabilities and risk factors. The request is \$0.2 million more than enacted, \$0.1 million each from federal funds and restricted receipts. Salary and benefit costs of \$7.4 million are \$0.4 million more than enacted to fund 56.8 full-time equivalent positions. The request includes updated benefit rates consistent with FY 2019 planning values.

The request also includes \$1.9 million for various cancer screening related programs, including \$1.0 million to organizations, such as the Hospital Association, which maintains the state's cancer registry, a statewide surveillance database related to the cancer patient population; \$2.9 million to focus on preventing obesity, diabetes, and heart disease and stroke among adults; and \$1.8 million for newborn screening services. These programs support the Department's ten Health Equity Zones that were created in 2015, which are geographical areas designed to achieve health equity by eliminating health disparities using place-based strategies to promote healthy communities. *The Governor recommended \$26,725 more than requested for benefit adjustments.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Environmental Health

Lead Elimination Surveillance System Upgrade. The Department requested new expenditures of \$0.5 million from general revenues to upgrade the Lead Elimination Surveillance system, which tracks blood lead levels, screening and case management. The Department indicated that the system was developed in 2003; it is not web-based and Microsoft stopped supporting it.

The constrained request excludes the requested \$0.5 million for the system as well as the enacted amount of \$25,000 for information technology support. *The Governor concurred with the constrained request.* **The Assembly concurred.**

Blood Lead Poisoning Prevention. The Department requested \$0.8 million, \$0.1 million more than enacted, including \$0.1 million from general revenues to match federal funds for blood lead poisoning prevention activities. 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. In 2016, the Centers for Medicare and Medicaid Services decreased the guidelines for safe blood lead levels for children under six, which will result in an increase in the number of inspections.

The request includes \$0.5 million from general revenues and federal funds to fund 4.9 full-time equivalent positions. This is \$0.1 million more than enacted, reflective of staffing allocation changes. The request also includes the enacted amount of \$150,000 from general revenues to support certified lead centers, which provide case management to lead poisoned children, and \$16,000, or \$4,000 more than enacted, to the Providence Plan for data analysis. *The Governor recommended \$1,570 more than requested for benefit adjustments.* **The Assembly concurred.**

Food Protection. The request includes \$5.0 million to fund the Food Protection Program. This is \$40,059 less than enacted, including \$45,299 more from general revenues offset by \$85,358 less from federal funds

based on anticipated awards. The Office of Food Protection is responsible for licensing and regulating more than 7,300 food establishments from “farm to table” including restaurants, caterers, food markets, bakeries, food processors, dairy producers, bottlers, bottle beverage plants, and health care facilities. The Office also conducts inspections and investigates food related disease outbreaks and complaints.

The request includes \$4.5 million for salary and benefit costs of 43.0 full-time equivalent positions. This is \$166 more and 2.0 fewer positions than enacted. It includes an additional \$0.2 million in turnover savings, offset by increases for benefit rates consistent with FY 2019 planning values.

Operating costs of \$0.4 million are \$40,225 less than enacted including \$4,050 less from general revenues and \$36,175 less from federal funds. This includes reductions for travel expenses such as mileage reimbursement, cell phones and other program expenses. *The Governor recommended \$15,739 more than requested for benefit adjustments.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Other Expenses. The Department requested \$6.6 million from all sources of funds, including \$1.4 million from general revenues for the Environmental Health Program, which is responsible for all licensure and regulatory activities relating to environmental health, as well as all activities relating to healthy homes. The request is \$0.1 million less than enacted, including decreases of \$5,802 from general revenues and \$0.2 million from federal funds, and an increase of \$109,846 from restricted receipts. The request includes \$4.9 million for salary and benefit costs of 47.0 full-time equivalent positions. This is \$0.1 million more than enacted for updated benefit rates, consistent with FY 2019 planning values.

Operating costs of \$1.9 million are \$0.1 million or 7.5 percent less than enacted to primarily reflect updated grant awards from the Environmental Protection Agency for the Drinking Water Protection Program. The request includes the enacted amount of \$200,000 from general revenues for the Poison Control Center, which provides assistance and medical diagnosis of poisonings. The Center receives calls from individuals, hospitals and health care centers. *The Governor recommended \$16,182 more than requested for benefit adjustments.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Health Laboratories and Medical Examiner

Scene Investigator (1.0 FTE). The request restores \$0.1 million from general revenues to fund a scene investigator position for the Office of State Medical Examiner. The Department indicated 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 noted 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 and FY 2018 budgets; however, the Assembly did not concur and removed the funding. The position was filled and it subsequently became vacant.

The constrained request excludes the funding; however, it maintains the staffing authorization. *The Governor did not recommend funding or staffing authorization for the position.* **The Assembly concurred.**

Office of State Medical Examiner – Other. The request includes \$3.1 million from all sources for all other expenses for the Office of the State Medical Examiner. This is \$0.1 million more than enacted including \$324,847 from general revenues, of which \$250,000 is from shifting expenditures back to general revenues previously budgeted from indirect cost recovery restricted receipts.

Salary and benefit costs of \$2.5 million are \$16,316 more than enacted for the authorized level of 17.5 full-time equivalent positions. It assumes \$0.1 million in turnover savings, offset by costs for benefit rates consistent with FY 2019 planning values. As of the pay period ending November 3, 2017, the Office had two vacancies, including the chief medical examiner position. Operation costs are \$90,537 more than

enacted, and include increases for contracted medical examiners based on vacancies. It includes minor increases for medical supplies and maintenance of equipment. *The Governor recommended \$10,267 more than requested for benefit adjustments.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

HIV Laboratory Supplies. The Department requested \$0.6 million for laboratory supplies. This is \$0.2 million more from general revenues than enacted for HIV laboratory supplies, including test kits. It appears that the federal funds that the Department had previously used to purchase these kits have ended. The Department indicated that prior to receiving federal support, these expenditures were incurred 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, and other sexually transmitted diseases. The Department indicated that over the years, test volumes per disease remain constant, while the costs to perform them have increased.

The constrained budget excludes the requested increase. *The Governor concurred with the constrained request and provided the enacted level of funding.* **The Assembly concurred.**

Center for Shellfish Excellence (1.0 FTE). In 2016 and 2017, the state was impacted by the closures of shell fishing areas in the Narragansett Bay. In coordination with the Department of Environmental Management, the Department of Health developed a contingency plan requiring Health Laboratories to develop additional testing capabilities and Federal Drug Administration certification for methods used to test shellfish growing waters and shellfish meats to monitor a variety of toxins. The enacted budget includes \$65,000 from general revenues in the Department of Environmental Management for laboratory testing.

The request consolidates the funding by transferring the enacted amount of \$65,000 from the Department of Environmental Management to the Department of Health for the Center for Shellfish Excellence. The request includes \$0.1 million to fund an environmental laboratory scientist position for the administration of the Center as well as an additional \$50,000 for laboratory supplies. It should be noted that the Department of Environmental Management's budget request did not include the transfer of the funds.

The constrained request removes the requested \$0.2 million; however, it maintains the staffing authorization. *The Governor did not recommend funding or staffing authorization for the position.* **The Assembly concurred.**

Forensic Laboratory Programs. The Department requested \$2.8 million from all sources of funds for operations of the forensic laboratories. These programs provide testing for the identification of confiscated drugs as well as conducts DNA analysis of evidence to assist law enforcement agencies in solving drug-related and other crimes. The request is \$60,332 less than enacted, including \$7,096 more from general revenues.

Salary and benefit costs of \$2.1 million for 19.3 full-time equivalent positions are \$66,720 less than enacted, reflective of position allocations and turnover savings. The request includes \$0.7 million or \$6,398 more for operations. Of this, \$0.5 million or 68.8 percent is for medical supplies and costs for maintenance of laboratory equipment.

The 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 11.0 full-time equivalent positions, all of which are currently filled. In the event bumping occurs, all of the savings may not be achieved. Additionally, unemployment compensation is not factored into the proposal. The Department noted 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 proposed this initiative in its FY 2018 constrained budget; however, neither the Governor nor the Assembly concurred.

*The Governor recommended \$8,882 more than the unconstrained request for benefit adjustments. **The Assembly concurred and also provided funding for cost-of-living adjustments.***

Health Laboratories Staffing – Other. The Department requested \$4.2 million for salary and benefit costs of 41.7 full-time equivalent positions to support the remaining laboratories. This is \$0.1 million less than enacted and 1.9 fewer positions than the authorized level. This also reflects a shift of \$250,000 back to general revenues for salary and benefit costs previously budgeted from indirect cost recovery restricted receipts. The request includes benefit rates consistent with FY 2019 planning values. The Department noted that staffing levels for a laboratory program are dictated by workload; staffing shifts within the Division of Laboratories occur to the extent possible in response to workload changes and how quickly a given test result is needed. *The Governor recommended \$13,705 more than requested for benefit adjustments. **The Assembly concurred and also provided funding for cost-of-living adjustments.***

Health Laboratories Operations - Other. The Department requested \$1.6 million from all sources of funds or \$0.1 million more than enacted for operations of various laboratories in the Department. This includes new expenditures of \$147,350 from federal funds to purchase a genetic analyzer and liquid handler system, which will automate processes in the DNA Laboratory. The request shifts \$0.1 million of previously budgeted medical supply costs to general revenues. The Department indicated that the funds have been exhausted. The request also includes slight increases for maintenance costs for equipment, such as centrifuges and incubators and clerical services. *The Governor recommended funding as requested. **The Assembly concurred.***

Customer Services

Vital Records Surveillance System – Maintenance. The request includes \$0.3 million from general revenues for maintenance costs of the electronic death registration and surveillance systems. The Department submitted a capital budget requesting a total project cost of \$3.2 million through the issuance of Certificates of Participation to build the systems. The request assumes that the project is approved and completed, and needing maintenance 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 2019.

The Governor did not include funding for maintenance expenses; however, she did recommend the use of \$1.7 million from the Information Technology Investment Fund in the Department of Administration's budget to upgrade the system. Supporting documents suggest that certain vital record fees would increase and would be directed into the Fund to help offset project costs; however, the fees are set by statute and no legislation was submitted to effectuate this.

*The Governor subsequently requested an amendment to assess surcharges for certified records of no more than \$5.00 for mail-in, no more than \$3.00 for duplicate, and no more than \$2.00 for walk-in at municipal halls. The surcharge receipts would be deposited into the Information Technology Investment Fund for the implementation of an Electronic Statewide Registration System. Once costs for the system are fully reimbursed, receipts would then be deposited as general revenues. **The Assembly concurred, with the exception of depositing the surcharges into the Information Technology Investment Fund in perpetuity.***

Real ID Implementation. The Real ID Act, passed in 2005 by Congress, created national standards for the issuance of state driver's licenses and identification cards. In March 2007, the U.S Department of Homeland Security published a Notice of Proposed Rulemaking detailing the minimum standards for driver's licenses and identification cards acceptable by federal agencies for official purposes. The State of Rhode Island had a waiver approved by the Department of Homeland Security for federal agencies to accept state identification credentials for an extended period. The current federal deadline for compliance is October 2020. At this time, citizens will not be permitted access to secure federal sites including travel through airports or access to certain federal buildings without Real ID compliant credentials.

*The Governor did not recommend funding for the Department's role in implementation of federal Real ID requirements; funding and staffing were provided in the Division of Motor Vehicles. She subsequently requested an amendment to provide the Department with \$0.3 million from general revenues and 1.0 new position for costs and staffing associated with issuing more vital records. Funds will also be used to set up a satellite location at the Division of Motor Vehicles branch in Cranston that will provide customers the ability to obtain their records onsite. The budget assumes revenues of \$0.4 million from fees associated with obtaining copies of birth and marriage certificates. **The Assembly concurred.***

Vital Records – Other. The Department requested \$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 \$16,530 less than enacted, including an increase of \$30,635 from general revenues, offset by \$47,165 less from federal funds based on anticipated grant awards from the Social Security Administration.

The request includes \$1.5 million for staffing of 16.5 full-time equivalent positions, which is consistent with the authorized level. This is \$17,958 more than enacted, including additional turnover savings of \$37,677, offset by increases for benefit rate changes, consistent with FY 2019 planning values. *The Governor recommended \$4,294 more than requested for benefit adjustments. **The Assembly concurred and also provided funding for cost-of-living adjustments.***

Licensing Boards and Commissions to DBR. The request includes a proposal to restructure the Center for Professional Licensing, Boards, and Commissions, which license, certify and discipline health care professionals. They also identify professional standards to ensure the highest quality health care for, and protection of, the public. The request assumes the transfer of several boards and commissions to the Department of Business Regulation, including athletic trainers, hearing aid dealers, interpreters for the deaf, funeral directors and several others. The Department indicated that these boards and commissions do not receive a high volume of complaints. The request maintains the staffing authorization and assumes turnover savings of \$0.2 million from general revenues from two positions that support the boards and commissions; a beauty shop inspector and a health services licensing aide. Both of the positions are currently filled.

Legislative approval is needed to effectuate this transfer. *The Governor included legislation in Article 6 of 2018-H 7200 transferring the licensure of several professionals to the Department of Business Regulation. The recommendation reflects the transfer of two positions and includes \$0.2 million in the Department of Business Regulation to fund them. She subsequently requested an amendment to maintain athletic trainers, music therapists and speech pathologist in the Department of Health. **The Assembly did not concur with***

the proposed transfers and included funding and staffing to support the boards and commissions in the Department of Health.

Other Boards and Commissions (1.0 FTE). The Department proposed to convert a current temporary position to a full-time employee, who would be responsible for processing complaints and assisting in case management. This would result in a net general revenue increase of \$22,540, including \$77,963 for the position and a reduction of \$55,423 from contracted services. The Department indicated that it has seen an increase in the number of complaints over the last two years; staff is needed in order for the complaints to be investigated before they are brought before their respective boards or commissions. The Department noted that every time a temporary employee leaves, it spends a significant amount of time on training, which is creating inefficiencies and a delay in processing complaints.

The Department proposed this initiative in its FY 2018 request; however, neither the Governor nor the Assembly concurred. The constrained request removes the funding for the new position; however, it maintains the staffing authorization. *The Governor did not recommend funding or staffing authorization for this position.* **The Assembly concurred.**

Nursing Care Evaluator (1.0 FTE). The request includes \$102,447 from general revenues to fund a new Nursing Care Evaluator position who would be responsible for conducting routine investigative surveys and reviewing facility compliance with state and federal regulations. The Department requested funding for this position as part of its FY 2018 request; neither the Governor nor the Assembly concurred.

The constrained budget excludes the funding; however, it maintains the staffing authorization. *The Governor did not recommend funding or staffing authorization for this position.* **The Assembly concurred.**

L2K Software Licensing – Cost Shift. The Department requested \$0.3 million from all sources, including \$235,946 from general revenues for its L2K software licensing, which allows certain health professionals to renew their licenses. The request is \$70,000 more than enacted, which reflects a shift of \$135,000 back to general revenues previously budgeted in the Licensing and Regulatory restricted account, which receives various fees, including fees from tanning salons, electrolysis and others. The general revenue request is consistent with the current service estimate provided by the Budget Office. *The Governor recommended funding as requested.* **The Assembly concurred.**

Medical Marijuana Program. The Department requested \$0.7 million, or \$158,710 more enacted from restricted receipts for costs associated with the Medical Marijuana program. This includes \$140,415 more for salaries and benefits, reflective of staffing allocations and turnover restoration. The program is staffed by 5.9 full-time equivalent positions. The request includes an additional \$18,295 for program expenses, including \$20,000 for software maintenance costs associated with the medical marijuana regulation system. The request is \$4,736 less than FY 2018 projected expenditures.

The Governor recommended \$1,473 more than requested for updated benefits. She also proposed legislation in Article 17 of 2018-H 7200 to make several changes to the program. This includes the addition of 12 new compassion centers, authorizing temporary medical marijuana eligibility to include acute pain, allowing Massachusetts and Connecticut medical marijuana cardholders to purchase at Rhode Island compassion centers, and establishing a license for medical marijuana manufacturing and research and development.

The legislation transfers oversight of caregivers and authorized purchasers to the Department of Business Regulation. The Budget assumes that any remaining medical marijuana related receipts collected by the Departments of Business Regulation and Health after expenses are covered will transfer to state general revenues. **The Assembly recommended funding as requested; however, it did not concur with most**

of the proposals. It increased fees paid by the current compassion centers and allowed access to out-of-state card holders.

Other Expenses. The Department requested \$8.9 million from all sources for all other operating costs for the Division of Customer Services. This is \$0.2 million less than enacted, including an increase of \$42,119 from general revenues and \$0.2 million less from restricted receipts and federal funds reflective of several anticipated grant awards.

The request includes \$7.7 million from all sources for staffing of 69.1 full-time equivalent positions. This is \$0.1 million more than enacted based on position allocations and turnover savings. The request includes benefit rates consistent with FY 2019 planning values.

The Department requested \$1.2 million from all sources for all other expenses in the Customer Services Division. This includes \$0.1 million more for clerical services for which the enacted budget includes \$120,253 and expenditures for FY 2017 were \$190,138. The request also includes slight increases for computer supplies and record storage. *The Governor recommended \$27,985 less than requested.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Policy, Information and Communications

Health Program Administrator (1.0 FTE). The Department requested \$122,060 from general revenues to fund a health program administrator position, who 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 indicated that it has more regulations than any other state agency. The Department noted that it has a backlog of about 30-35 regulations that are in need of completion that pertain to food protection, drinking water, lead poisoning and drug overdose.

The Department included funding for this position in its last two budget requests. The Governor recommended funding in her FY 2018 budget; however, the Assembly did not concur.

The constrained request removes the funding; however, it maintains the staffing authorization. *The Governor did not recommend funding or staffing authorization for the position.* **The Assembly concurred.**

Healthcare Quality Reporting. The 1998 Assembly mandated that the Department of Health develop a healthcare quality public reporting system for all licensed healthcare facilities. Through the Healthcare Quality Reporting, the state requires that licensed healthcare facilities make clinical outcomes and patient satisfaction public via the Department's website. The Department requested the enacted amount of \$53,000 from general revenues to obtain contracted services, including analytics for the development of the report. The Department indicated that funding is also used to support advisory committee meetings.

The constrained request removes the enacted amount of \$53,000 from general revenues. If funding is eliminated, the Department would still be required to produce this report, unless a statutory change is made.

The Governor recommended funding consistent with the enacted budget. **The Assembly concurred.**

Other Staffing and Operations. The Department requested \$4.5 million from all sources, including the enacted amount of \$0.8 million from general revenues for the Division of Policy, Information and Communications. The Division includes the Centers for Public Health Communications, Legislative and Regulation Affairs, and the Office of the Associate Director, which provides policy redirection and operational oversight and coordination. The request is \$0.4 million more than enacted, including increases of \$0.3 million from federal funds and \$0.1 million from restricted receipts.

Salary and benefit costs of \$2.3 million are \$19,417 more than enacted. The request includes benefit rates consistent with FY 2019 planning values and assumes staffing of 21.0 full-time equivalent positions, 0.7 fewer than the authorized level.

The request includes \$0.7 million, or \$0.2 million more than enacted 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. It includes \$0.2 million more from federal funds for the Opioid Surveillance Program, which will track fatal and nonfatal opioid-involved overdoses. This is consistent with the revised request. *The Governor recommended \$9,682 more than requested for benefit adjustments.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Preparedness, Response, Infectious Diseases and Emergency Services

Emergency Medical Services Coordinator (1.0 FTE). The Department requested \$0.1 million from general revenues to fund a new emergency medical services training coordinator position for the oversight of both initial and continuing emergency medical services education throughout the state. The Center for Emergency Medical Services oversees licensing of emergency medical services in the state. The Department indicated that the position will be responsible for the overall development of emergency medical training and education and further noted that Rhode Island is the only state without a dedicated training coordinator.

The constrained request excludes the funding and staffing authorization for the position. *The Governor did not recommend funding or staffing authorization for the position.* **The Assembly concurred.**

Unachieved Savings – Health System Transformation Project. As part of its FY 2018 budget, the Department proposed an initiative and included savings of \$0.2 million from general revenues by shifting expenditures for 1.2 full-time equivalent positions to federal funds. The Department indicated that a proposal was submitted to the Centers for Medicare and Medicaid Services as part of the Health Systems Transformation project, allowing the Department to claim this match; however, the proposal was not approved. The request restores the funding. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Expenses. The Department requested \$15.2 million from all sources of funds, including \$1.6 million from general revenues for all other operations for the Division of Preparedness, Response, Infectious Disease and Emergency Medical Services. This is \$0.4 million less than enacted including an increase of \$9,116 from general revenues. Salary and benefit costs of \$8.1 million are \$0.2 million less than enacted reflective of turnover savings and staffing allocations. The request includes benefit rates consistent with FY 2019 planning values.

The request includes \$7.1 million or \$0.2 million less than enacted for all other operations. This includes \$6.5 million from federal funds, which 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 includes the enacted amount of \$0.6 million from general revenues, of which \$0.4 million is for the state funded tuberculosis specialty clinic at the Miriam Hospital and a contract for Rhode Island Hospital for ambulatory pediatric tuberculosis services. *The Governor recommended \$30,054 more than requested for benefit changes.* **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Department of Human Services

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 7,892,005	\$ 8,723,692	\$ 8,879,047	\$ 8,652,225
Child Support Enforcement	10,950,113	11,244,707	9,992,383	10,007,734
Individual and Family Support	124,685,948	132,326,082	140,100,306	140,828,188
Office of Veterans' Affairs	42,054,204	45,276,911	34,006,646	34,424,736
Health Care Eligibility	14,046,789	17,256,980	15,356,646	15,464,476
Supplemental Security Income	18,548,119	19,962,000	19,574,400	20,022,000
Rhode Island Works	93,274,960	91,563,931	101,991,883	99,246,253
Other Programs	283,619,382	281,843,636	283,466,937	283,314,417
Elderly Affairs	19,610,702	20,828,482	20,456,154	20,870,630
Total	\$ 614,682,222	\$ 629,026,421	\$ 633,824,402	\$ 632,830,659
Expenditures by Category				
Salaries and Benefits	\$ 88,082,927	\$ 96,384,660	\$ 100,826,804	\$ 101,715,942
Contracted Services	16,495,570	15,608,444	16,305,466	16,305,466
Subtotal	\$ 104,578,497	\$ 111,993,104	\$ 117,132,270	\$ 118,021,408
Other State Operations	15,373,207	23,031,027	22,614,428	22,171,536
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	478,848,972	477,637,027	488,569,374	487,129,385
Capital	10,875,858	11,604,276	502,192	502,192
Capital Debt Service	-	-	-	-
Operating Transfers	5,005,688	4,760,987	5,006,138	5,006,138
Total	\$ 614,682,222	\$ 629,026,421	\$ 633,824,402	\$ 632,830,659
Sources of Funds				
General Revenue	\$ 91,113,618	\$ 100,858,686	\$ 103,702,154	\$ 97,999,785
Federal Aid	515,584,197	520,915,835	516,362,218	521,070,844
Restricted Receipts	3,390,929	2,415,422	8,996,552	8,996,552
Other	4,593,478	4,836,478	4,763,478	4,763,478
Total	\$ 614,682,222	\$ 629,026,421	\$ 633,824,402	\$ 632,830,659
FTE Authorization	981.1	981.1	981.1	1,020.1

Summary. The Department of Human Services, including the Office of Veterans' Affairs and the Division of Elderly Affairs, requested total funding of \$621.6 million from all fund sources, including \$102.8 million from general revenues, \$512.0 million from federal funds, \$2.0 million from restricted receipts and \$4.8 million from other funds. This is \$6.9 million more than enacted, including \$11.7 million more from general revenues, offset by \$3.6 million less from federal funds and \$1.3 million less from restricted receipts. The Department also requested 1,020.1 full-time equivalent positions, 39.0 more than enacted for the Office of Veterans' Affairs.

The Governor recommended \$633.8 million from all sources of funds and \$103.7 million from general revenues. This is \$19.1 million more than enacted including \$12.6 million more from general revenues.

Excluding centralized services transferred from the Department of Administration, the increase to the enacted budget is \$12.0 million, including \$13.2 million from general revenues. Her recommendation is \$1.7 million more than the conference estimate for child care assistance. This reflects the inclusion of two proposals. One would increase rates paid to infant and toddler care providers, the other would establish a pilot program for low-income residents enrolled in state institutions of higher education or in workforce training programs that lead to employment.

The recommendation includes authorization for 981.1 full-time equivalent positions, consistent with the enacted level. As of the pay period ending January 20, the Department had 120.0 vacancies. The Assembly provided \$632.8 million, including \$98.0 million from general revenues. It included authorization for 1,020.1 full-time equivalent positions, which restores 39.0 finance positions that were previously transferred to the Executive Office of Health and Human Services, and funding for cost-of-living adjustments. The Assembly enacted legislation to provide tiered reimbursement rates for infant, toddler, and preschool age children receiving care at licensed child care centers. It also provided funding for increased rates to family child care providers based on an April contract settlement.

Target. The Budget Office provided the Department with a general revenue target of \$85.6 million. The amount includes current service adjustments of \$3.4 million and a 10.0 percent target reduction of \$8.9 million, adjusted for certain exclusions. The Department’s request is \$8.3 million above the current services estimate; the constrained budget submitted by the Department is \$16.6 million above the target.

The Department proposed savings initiatives of \$0.5 million from general revenues. The items are discussed separately, where appropriate. *Excluding costs associated with centralized services, the Governor’s recommendation is \$13.2 million above the target. The enacted budget is \$12.4 million above the target.*

FY 2019 Budget	Budget Office	Human Services	Difference
FY 2018 Enacted	\$ 91,113,618	\$ 91,113,618	\$ -
Current Service Adjustments	3,389,814	8,292,820	4,903,006
New Initiatives	-	3,397,441	3,397,441
Change to FY 2018 Enacted	\$ 3,389,814	\$ 11,690,261	\$ 8,300,447
FY 2019 Current Services	\$ 94,503,432	\$ 102,803,879	\$ 8,300,447
Target Reduction/Initiatives	(8,861,956)	(519,671)	8,342,285
FY 2019 Recommendation/Request	\$ 85,641,476	\$ 102,284,208	\$ 16,642,732
Change to FY 2018 Enacted	\$ (5,472,142)	\$ 11,170,590	\$ 16,642,732

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.9 million from general revenues for FY 2019.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor’s FY 2019 budget identifies \$90,000 from ongoing savings from a reduction to hardship payments as a measure to reach the undistributed savings goal. The Assembly concurred.*

Federal Poverty Guidelines. The federal poverty guidelines are used for the purpose 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 2018 guidelines are as follows.

Percent of Federal Poverty Level Based on Annual Income								
Family Size	100%	133%	138%	150%	180%	185%	225%	250%
1	\$ 12,140	\$ 16,146	\$ 16,753	\$ 18,210	\$ 21,852	\$ 22,459	\$ 27,315	\$ 30,350
2	16,460	21,892	22,715	24,690	29,628	30,451	37,035	41,150
3	20,780	27,637	28,676	31,170	37,404	38,443	46,755	51,950
4	25,100	33,383	34,638	37,650	45,180	46,435	56,475	62,750
5	29,420	39,129	40,600	44,130	52,956	54,427	66,195	73,550
6	33,740	44,874	46,561	50,610	60,732	62,419	75,915	84,350
7	38,060	50,620	52,523	57,090	68,508	70,411	85,635	95,150
8	42,380	56,365	58,484	63,570	76,284	78,403	95,355	105,950

For families with more than 8 members, add \$4,320 for each additional member for the 100 percent calculation.

Staffing. The Department requested 1,020.1 full-time equivalent positions in FY 2019, 39.0 more than enacted. The request also shifts 84.0 term-limited positions to permanent staff. The enacted budget includes 143.0 additional caseworkers and eligibility technicians and assumes 77.0 of the positions are term-limited or temporary. Term-limited staff were intended to assist with Unified Health Infrastructure Project issues and backlog applications and would be dismissed when the workload could be managed by permanent staff. The Department indicated that it hired 84.0 term-limited positions and 59.0 permanent staff; it intends to make all term-limited staff permanent by the end of FY 2018. The Department requested \$101.9 million from all sources, including \$45.5 million from general revenues, \$55.6 million from federal funds, and \$0.7 million from restricted receipts for staffing costs across all program areas, which is \$13.8 million more than enacted.

The enacted budget includes authorization for 981.1 positions and provides funding for approximately 956 positions, leaving approximately 25 positions unfunded. As of November 25, 2017, the Department had 856.1 filled positions and has been averaging 860.8 filled positions in FY 2018. The Department averaged 835.7 filled positions in FY 2017 and 869.3 positions in FY 2016. The number of filled positions had been slowly increasing from a low of 781.2 in November 2011, though declined in FY 2017 with the implementation of the Unified Health Infrastructure Project, which was assumed to reduce the number of staff needed and resulted in the elimination of 99.0 positions in the Governor’s FY 2018 recommended budget. System issues have since resulted in a staffing increase. *The Governor recommended staffing consistent with the enacted level.* **The Assembly provided authorization for 1,020.1 full-time equivalent positions, which reverses the transfer of 39.0 finance positions that were previously transferred to the Executive Office of Health and Human Services pending the ability to align funding and staffing.**

Unified Health Infrastructure Project Staffing. The Department requested \$9.4 million from all sources, including \$4.0 million from general revenues, for Unified Health Infrastructure Project related staffing expenses. The request is \$7.3 million more than enacted, including \$3.7 million more from general revenues and \$3.6 million more from federal funds. The funding will support 143.0 full-time equivalent positions included in the enacted budget specifically to support ongoing efforts to resolve system issues and application backlogs. While the enacted budget included authorization for the additional personnel, it did not add funding for these positions as it anticipated the Department could fund them with existing resources. This assumption was based on a budget amendment requested by the Governor subsequent to her FY 2018 budget recommendation. The amendment indicated that funding for the positions would be made available through concessions with the contractor.

All 143.0 full-time equivalent positions were hired within the first quarter of FY 2018. It should be noted that the enacted budget assumed 77.0 positions would be term-limited, with the remaining positions to be permanent. The Department reported that the positions will be permanent by the end of FY 2018.

*The Governor recommended \$2.0 million more than requested from all sources, but recommended \$3.6 million less from general revenues. This increase is offset by a reduction to personnel expenses in program eligibility administration, noted separately. The additional general revenue expenses requested by the agency are shifted to restricted receipts to be collected from the credit the Department received from Deloitte. The Governor did not submit legislation requesting authority to create the new restricted receipt account or exempting the account from indirect cost recoveries. It is not clear how the Department would collect these funds as the credit is for ongoing work performed by the vendor. **The Assembly concurred and included legislation creating a new restricted receipt account to receive the funds.***

Other Unified Health Infrastructure Project Expenses. The Department requested \$2.6 million from all sources, including \$1.4 million from general revenues, for all other operating expenses related to the Unified Health Infrastructure Project. The request is \$0.7 million more than enacted from all sources, including \$0.6 million more from general revenues and \$0.1 million more from federal sources. The additional funding requested for FY 2019 is nearly entirely for contracted information technology support services. It should be noted that the request is \$1.3 million more than the revised request which shifts \$0.7 million of general revenue expenses to unspent Information Technology Investment funds from the prior year. It should also be noted that the request includes \$0.3 million more from federal Temporary Assistance for Needy Families funds, which was not reported at the November Caseload Estimating Conference. Use of these funds for project expenses may reduce total available funds for cash assistance programs.

*The Governor recommended \$1.2 million more than requested from new restricted receipts and the requested amount of general revenues. This increase is offset by a reduction to operating expenses in program eligibility administration, noted separately. The new restricted receipts would be collected from the credit the Department received from Deloitte. The Governor did not submit legislation requesting authority to create the new restricted receipt account or exempting the account from indirect cost recoveries. It is not clear how the Department would collect these funds as the credit is for ongoing work performed by the vendor. **The Assembly concurred and included legislation creating a new restricted receipt account to receive the funds.***

Cash Assistance Programs

The Caseload Estimating Conference estimate includes \$120.3 million from all sources, including \$37.0 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 \$8.5 million more than enacted, including \$6.4 million more from general revenues. The Department's request does not reflect the estimate adopted at the November Caseload Estimating 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 2017. Each category is discussed separately.

The Governor recommended \$121.9 million, including \$38.6 million from general revenues. She included \$1.7 million more from general revenues than the conference estimate for child care assistance. This reflects the inclusion of two proposals; one to increase rates paid for infant and toddler care providers and another to establish a pilot program for low-income residents enrolled in state institutions of higher education or in workforce training programs that lead to employment.

The Assembly provided \$120.0 million from all sources, including \$31.8 million from general revenues. It also enacted legislation establishing tiered reimbursement rates for licensed child care centers for infant, toddler, and pre-school age children. Rates are based on the tier the provider receives on the state's quality rating system; the Assembly provided \$3.4 million from federal funds for this new system of reimbursement. It also included \$0.9 million from federal funds for family child care providers, reflecting a contract settlement reached in April.

Cash Assistance	FY 2017 Actual	FY 2018 Enacted	FY 2018 Final	FY 2019 Gov. Rec.	FY 2018 May CEC	FY 2019 Enacted
Rhode Island Works						
Persons	10,652	9,746	10,025	10,200	10,025	10,025
Monthly Cost per Person	\$ 184.67	\$ 180.00	\$ 193.00	\$ 187.50	\$ 193.00	\$ 193.00
Total Costs/Federal Funds*	\$ 25.6	\$ 22.9	\$ 25.4	\$ 24.8	\$ 25.3	\$ 25.3
Child Care						
Subsidies	8,880	9,422	8,750	10,327	9,300	9,300
Annual Cost per Subsidy	\$ 7,313	\$ 7,323	\$ 7,517	\$ 7,220	\$ 7,457	\$ 7,912
General Revenue	\$ 9.9	\$ 10.6	\$ 9.9	\$ 17.8	\$ 10.7	\$ 10.7
Federal Funds	55.1	58.4	55.9	58.4	58.6	62.9
Total Costs*	\$ 64.9	\$ 69.0	\$ 65.8	\$ 76.3	\$ 69.4	\$ 73.6
SSI						
Persons	33,610	33,685	34,900	34,600	35,000	35,000
Monthly Cost per Person	\$ 46.29	\$ 46.00	\$ 47.50	\$ 47.00	\$ 47.50	\$ 47.50
Total Costs/General Revenues*	\$ 18.7	\$ 18.5	\$ 20.0	\$ 19.6	\$ 20.0	\$ 20.0
SSI Transition/Bridge						
Persons	355	364	270	350	270	270
Monthly Cost per Person	\$ 119.70	\$ 146.28	\$ 137.00	\$ 142.00	\$ 137.00	\$ 137.00
Total Costs/General Revenues*	\$ 1.2	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.1	\$ 1.1
General Revenue	\$ 29.8	\$ 30.5	\$ 31.0	\$ 38.6	\$ 31.9	\$ 31.8
Federal Funds	80.6	81.3	81.3	83.2	83.9	88.2
Total Cash Assistance*	\$ 110.4	\$ 111.8	\$ 112.2	\$ 121.9	\$ 115.8	\$ 120.0

*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 benefits 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 to meet its maintenance of effort requirement. The Department's request assumes that the higher \$64.4 million requirement will be met. *The Governor's recommended budget meets the requirement.* **The Assembly concurred.**

Rhode Island Works. The November Caseload Estimating Conference estimate includes program expenditures of \$24.8 million entirely from federal funds. The estimate increased the monthly caseload by 454 cases to a level of 10,200 and the monthly cost per person increases by \$7.50 to \$187.50. The estimated program expenditures are \$1.9 million more than the enacted budget, reflecting increases in both the number of persons and the cost per person, as well as \$0.1 million more for transportation expenses and minor adjustments for clothing and other supportive services. The Department requested the enacted funding for the program and does not reflect the estimate adopted at the November caseload conference.

The program limits cash assistance payments to a total of 48 cumulative months, and includes a maximum of 24 months (consecutive or not) in any 60-month period. Individuals who have exhausted the limit may receive assistance through the hardship extension program for various extenuating circumstances, such as domestic violence.

In its constrained budget request, the Department proposed a reduction of \$50,000 from federal Temporary Assistance for Needy Families funds through additional scrutiny of hardship extension applications. By freeing up federal funds, the Department will shift general revenue expenses in the child care program to available federal funds, resulting in a general revenue savings of \$50,000. *The Governor concurred with the constrained proposal and recommended \$50,000 less than the caseload estimate.* **The Assembly provided \$25.3 million from federal funds, which is \$50,000 less than the May caseload estimate consistent with the Governor's recommendation. The caseload estimate decreased the number of persons by 175 to 10,025 and increased the average monthly cost by \$2.50 to \$193.00.**

Child Care. The November Caseload Estimating Conference estimate includes child care expenditures of \$74.6 million, of which \$16.2 million is from general revenues. This is \$5.6 million more than enacted entirely from general revenues. The estimate increases child care subsidies by 905 for a monthly level of 10,327 and decreases the annual cost by \$103 to \$7,220 for FY 2019. The Department requested \$2.8 million more than enacted and does not reflect the estimate adopted at the November caseload conference.

The estimate assumes continued program growth compared to the revised estimate and the impact of the new federal requirements, which are anticipated to begin on October 1, 2018. These new requirements include such changes as a 12-month recertification period, at least three months of continued eligibility for families who lose their jobs, and expanded outreach to homeless families.

A family is eligible for child care assistance either through the Rhode Island Works program (if they qualify for Works they are automatically eligible for child care assistance) or if they qualify as low income, which is at or below 180 percent of federal poverty. The 2013 Assembly passed legislation for a pilot program allowing families eligible for subsidized child care because their income is at or below 180 percent of poverty 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 provided another one-year extension until September 30, 2017. The 2017 Assembly enacted legislation to make the child care transition program permanent.

The enacted budget includes \$200,000 from federal Temporary Assistance for Needy Families block grant funds for a contract with the Rhode Island Alliance of Boys and Girls Clubs. The Department's constrained

request proposes to eliminate this contract, freeing up federal funds to alleviate general revenues expenses in the child care program.

The Governor's recommendation is \$1.7 million more than the caseload estimate from two proposals submitted with the FY 2019 budget. It should be noted that the recommendation includes a shift of \$50,000 from general revenues to federal funds made available through additional scrutiny of hardship extension applications in the Rhode Island Works program, noted separately.

The Governor's budget would have established a tiered system for infant and toddler care providers, reflecting the quality rating the provider has achieved in the state's quality rating system. Those providers with higher rankings would receive additional funding compared to those in the lower tiers. The budget includes an additional \$1.5 million from general revenues to support this new system of reimbursement. However, the proposal appeared to raise all base child care rates by linking the minimum reimbursement to the 2015 market rate survey; the impact of this change is unclear. She subsequently requested an amendment to eliminate the raise to all base rates.

The Governor also included \$200,000 from general revenues to begin a new child care pilot program for eligible low-income parents to receive child care assistance while they are enrolled in qualified state public institutions of higher education or in workforce training programs that lead to employment.

The Assembly provided \$73.6 million from all sources of funds, including \$10.7 million from general revenues. This is \$4.2 million more than the May caseload estimate to reflect the inclusion of \$0.9 million more for rates paid to family child care providers based on a contract settlement reached in April and \$3.4 million for tiered reimbursement rates for licensed child care centers for infant, toddler, and pre-school age children. Rates are based on the tier the provider received on the state's quality rating system. The appropriation also reflects the \$50,000 savings proposal contained in the Governor's recommendation.

Supplemental Security Income Payments. The November Caseload Estimating Conference estimate includes FY 2019 direct supplemental security income expenditures of \$19.6 million from general revenues, or \$1.0 million more than enacted. The caseload increases by 915 persons to a monthly level of 34,600. Estimators increased the monthly cost per person by \$1 to \$47. The estimate also includes transaction fees of \$60,000, or \$6,000 more than enacted. The Department requested the enacted funding for the program and does not reflect the estimate adopted at the November caseload conference. *The Governor recommended funding consistent with the caseload estimate. The Assembly provided \$20.0 million from general revenues consistent with the May caseload estimate, which increased the number of people by 400 to 35,000 and the average monthly cost by \$0.50 to \$47.50.*

Assisted Living State Supplemental Payment. The Department requested \$0.5 million from general revenues 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 request is \$153,922 more than enacted and not consistent with the Department's testimony provided at the November caseload conference. The Department subsequently reported that expenditures for the program were inadvertently increased in its budget submission; it estimates expenditures will be consistent with its caseload conference testimony of \$0.4 million. *The Governor recommended funding as requested. The Assembly reduced funding by \$0.1 million, consistent with the Department's testimony at the November and May caseload conferences.*

Supplemental Security Income Transition/Bridge Program. The November Caseload Estimating Conference estimates expenditures for the supplemental security income transition/bridge program at \$1.3 million, entirely from general revenues. The estimate includes \$0.6 million for cash payments and \$0.7 million for burials. The estimate assumes 350 monthly persons, or 14 fewer than the enacted budget, and increases the monthly cost per person by \$1 to \$142. The estimate is \$0.1 million less than enacted. The Department requested \$1.6 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.

In its constrained budget, the Department proposed savings of \$50,000 from instituting an eligibility review process. The eligibility process will be reviewed to identify clients that are deemed eligible by the state program but have been denied by the federal Social Security Administration. It will also review reimbursements when individuals are deemed eligible by the federal administration.

*The Governor concurred with the constrained proposal and recommended \$50,000 less than the caseload estimate. It appears that an anticipated increase in staffing will address application backlogs, which will in turn reduce the number of payments made through this program. **The Assembly provided \$1.1 million from general revenues, reflecting the May caseload estimate which decreased the number of people by 70 to 210 and average monthly cost by \$5.00 to \$137.00. The estimate also includes \$0.7 million for burials. The appropriation also reflects the \$50,000 savings proposal contained in the Governor's recommendation.***

Hardship Payments. The Department requested \$180,000 from general revenues, consistent with the enacted budget for hardship contingency payments, which provide temporary support to individuals who do not qualify for the supplemental security income or Rhode Island Works programs. The request is \$90,000 more than the revised request, which reduces hardship payments in order to meet the Governor's statewide savings target of \$25.0 million in FY 2018. The Department spent \$55,242 in FY 2017, \$70,000 in FY 2016, \$100,766 in FY 2015, \$112,775 in FY 2014 and \$151,675 in FY 2013. It 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.

In its constrained request, the Department proposed reducing hardship payments by \$90,000, which would fund the program at \$90,000. The proposal would provide funding consistent with the revised FY 2018 request. *The Governor recommended funding consistent with the constrained request. This is consistent with the revised recommendation, which reduced funding as a measure to meet the \$25.0 million of undistributed savings included in the enacted budget. **The Assembly concurred.***

Other Programs

Rhode Island Works Pilot. The Department requested \$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. The request is \$20,000 more than the enacted budget to provide additional funding for program services. The request appears to be overstated as the Department underspent its appropriation in both FY 2016 and FY 2017. *The Governor recommended funding as requested. **The Assembly concurred.***

Program Eligibility Administration – Staffing. The Department requested \$35.7 million from all sources, including \$16.5 million from general revenues for staffing expenses related to the eligibility administration of assistance programs, including cash assistance, health determination services, and the Supplemental Nutrition Assistance Program. The request is \$4.3 million more than enacted; this reflects the allocation of personnel costs across programs based on anticipated expenditures as well as additional

funding for personnel in the Supplemental Nutrition Assistance Program. The FY 2019 request is consistent with its revised request, both of which anticipate the filling of 50.0 full-time equivalent positions. However, the revised request adds only \$2.7 million from all sources, including \$1.1 million from general revenues, for the additional positions. The Department reported that additional staffing is needed to address backlogs and other issues with its administration of the program. This request is in addition to \$9.4 million from all sources requested for staffing identified specifically for the Unified Health Infrastructure Project.

The table below shows the staffing changes to each program as compared to the enacted budget; the Department attempts to allocate costs based on which programs it projects will incur the expense.

Program Eligibility Administration Staffing Changes to Enacted				
Program Administration	Request		Recommended	
	General Revenues	Total	General Revenues	Total
Child Care	\$ (97,206)	\$ (97,206)	\$ (99,783)	\$ (99,783)
Health Care Determination	(946,368)	(2,479,038)	(955,515)	(2,497,082)
Rhode Island Works	(106,023)	483,315	(99,487)	502,777
Social Security Payments	(180,185)	(180,185)	(180,146)	(180,146)
Supplemental Nutrition Assistance	3,312,539	6,598,905	1,205,504	4,471,751
Total Change to Enacted	\$ 1,982,757	\$ 4,325,791	\$ (129,427)	\$ 2,197,517

The Governor recommended \$2.1 million less than requested primarily from general revenues. This reduction is offset by a \$2.1 million increase in personnel expenses for the Unified Health Infrastructure Project, discussed earlier. The recommendation reflects a shift from general revenues from program eligibility administration operating expenses to new restricted receipts collected from the credit the Department received from Deloitte, the vendor responsible for the Unified Health Infrastructure Project.

The Assembly concurred.

Contracted Legal Services. The Department requested \$0.2 million from all sources for legal services for assistance programs, including the Supplemental Nutrition Assistance Program, child care administration, and Rhode Island Works administration. The enacted budget did not include an appropriation for this expense; however, the Department spent \$0.4 million for contracted legal services for these programs in FY 2017. The Department reported that the request reflects ongoing legal costs associated with the Unified Health Infrastructure Project, for which there are no legal services costs included in the enacted budget or included in its request for project specific expenses. These are separate from the direct Unified Health Infrastructure Project costs noted earlier. *The Governor recommended funding as requested.* **The Assembly concurred.**

Information Technology and Telecommunications. The Department requested \$1.8 million from all sources for expenses related to information technology and telecommunications across the administration of all assistance programs. This includes contracted information technology costs, equipment and software, maintenance, and all telecommunications and telephone costs. While the request is \$0.8 million more than enacted, it is nearly consistent with actual FY 2017 expenditures. The Department reported that the additional funding is being requested to reflect actual spending; however, the request does not appear to reflect any one-time costs that may have occurred in FY 2017 as a result of Unified Health Infrastructure Project implementation. *The Governor recommended funding as requested.* **The Assembly concurred.**

Community Based Organizations. The Department requested \$9.4 million from all sources of funds for grants provided to community based organizations for work to support its eligibility programs. This includes \$8.0 million for local organizations to provide job training services for the Rhode Island Works Program, as well as \$1.4 million for outreach, education, and application assistance for the Supplemental Nutrition Assistance Program, including the employment and emergency food assistance programs. The

request is \$0.1 million more than enacted from federal funds, including \$40,566 less from general revenues, reflecting additional expenses for Supplemental Nutrition Assistance Program outreach. *The Governor recommended funding as requested. The Assembly concurred.*

Program Eligibility Administration – Other Operating. The Department requested \$8.3 million from all sources for all other expenses related to the eligibility administration of assistance programs, including cash assistance, health care determination services, and the Supplemental Nutritional Assistance Program. The request is \$0.8 million more than enacted, including \$0.6 million from general revenues, in order to reflect actual FY 2017 spending. This includes \$0.3 million more for contracted services, including communications and management consultants. It should be noted that the request does not appear to adjust for any one-time costs that may have occurred in FY 2017 due to the implementation of the Unified Health Infrastructure Project.

The following table shows the operating changes to each program as compared to the enacted budget; the Department attempts to allocate costs based on which programs it projects will incur the expenses.

Program Administration	Program Eligibility Administration Operating Changes to Enacted			
	Request		Recommended	
	General Revenues	Total	General Revenues	Total
Child Care	\$ 6,063	\$ 6,063	\$ 6,063	\$ 6,063
Health Care Determination	273,658	614,479	123,658	464,479
Rhode Island Works	(447,345)	(1,300,719)	(447,345)	(1,300,719)
Social Security Payments	107,929	107,929	107,929	107,929
Supplemental Nutrition Assistance	675,342	1,326,470	(643,158)	7,970
Total Change to Enacted	\$ 615,647	\$ 754,222	\$ (852,853)	\$ (714,278)

The Governor recommended \$1.5 million less than requested from general revenues; this includes \$0.3 million of lease savings from procuring a new lease for the Providence office in FY 2019. The savings does not appear to account for any moving expenses that may be required. The remaining reduction is offset by a \$1.2 million increase in operating expenses for the Unified Health Infrastructure Project. The recommendation reflects a shift from general revenues from program eligibility administration operating expenses to new restricted receipts collected from the credit the Department received from Deloitte, the vendor responsible for the Unified Health Infrastructure Project, discussed earlier. The Assembly concurred.

Supplemental Nutrition Assistance Program – Benefits. The Department requested the enacted level of \$282.0 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance Program in FY 2019. This is \$13.5 million more than spent in FY 2017 and consistent with the revised request. *The Governor recommended funding as requested. The Assembly concurred.*

Supplemental Nutrition Assistance Program – Bonus Funding. The Department requested \$170,000 from other funds from a bonus awarded by the Supplemental Nutrition Assistance Program in FY 2015. The Department was awarded a total of \$0.5 million based on its performance in administering the program that year and it has included \$170,000 from available funds in each FY 2018 revised and FY 2019. While included in the budget request, the Department reported that funding will be reserved to cover any fines it may receive from the federal administration or any other unanticipated program expenses. *The Governor recommended funding as requested. The Assembly concurred.*

Child Support Enforcement Program. The Department requested \$9.7 million from all sources for expenditures related to child support enforcement. This includes \$2.8 million from general revenues and \$6.9 million from federal funds. The request is \$1.2 million less than enacted, including \$0.2 million less

from general revenues. The reduction largely reflects \$1.6 million less for contracted information technology support, offset by increases to other operating expenses such as postage, interpreters, security services, lease of office space, and other expenses. The request includes \$5.8 million for salaries and benefits, which is \$0.1 million more than enacted, and 60.0 positions.

*The Governor recommended \$19,100 more than requested from all funds, including \$1.0 million less from general revenues. The recommendation shifts \$1.0 million of general revenue personnel expenditures to federal funds through a proposal to establish paternity in order to improve collections of outstanding child support; this in turn may impact custodial parents' eligibility for child care assistance and Medicaid. **The Assembly concurred and included funding for cost-of-living adjustments.***

LIHEAP and Weatherization Assistance Programs. The Department requested \$29.1 million from federal sources for benefits and operating expenses related to the low income home energy assistance and weatherization assistance programs, which is \$0.1 million less than enacted and based on anticipated awards. The request includes \$28.2 million for home energy and weatherization projects, \$0.8 million for salary and benefit expenses, and \$0.1 million for operating expenses.

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 recommended \$3,234 more than requested to reflect statewide benefit adjustments. **The Assembly concurred.***

Paratransit Services for the Elderly. The Department requested \$6.0 million from all sources for elderly transportation services, including \$1.1 million from general revenues, \$0.5 million from federal funds and the enacted level of \$4.4 million from gas tax proceeds. The request is \$0.3 million less than enacted, including \$0.5 million less from federal sources offset by \$0.2 million more from general revenues.

The state leverages Medicaid funds under the global waiver for certain transportation expenses that were previously state only. The enacted budget assumes \$0.5 million of general revenue savings by shifting costs to Medicaid funds, consistent with the Department's actual FY 2016 spending. Consistent with its revised request, the Department's FY 2019 request reduces funding from Medicaid sources by \$0.5 million from both federal funds and matching state general revenues, aligning anticipated expenditures with FY 2017 actual spending. *The Governor recommended funding as requested. **The Assembly concurred.***

Head Start. The Department requested \$1.8 million from all sources of funds, including the enacted amount of \$1.2 million from general revenues, to support local Head Start providers. The request includes \$0.5 million more than enacted from federal funding; however, it subsequently reported that the additional funds were added in error. 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 participating providers and the state provides additional funding. *The Governor's budget does not reduce the federal funds added in error. However, she recommended \$577 more than requested to reflect statewide benefit adjustments. **The Assembly reduced funding by \$0.4 million to remove additional funding that had been added in error.***

Community Services Block Grant. The Department requested \$4.0 million from federal funds for expenses related to the community services block grant, including salaries and benefits. The request is \$0.4 million more than enacted based on the anticipated grant award. It includes \$3.8 million for direct grants

awarded to the state's nine community action agencies, or \$0.3 million more than enacted, and \$0.3 million for staffing expenses and all other operating expenditures, \$0.1 million more than enacted. *The Governor recommended \$719 more than requested reflecting statewide benefit adjustments.* **The Assembly concurred.**

Family and Adult Services. The Department requested \$2.6 million, \$0.3 million more than enacted, for social service support through the federally funded Social Services Block Grant for family and adult services. The request includes \$1.9 million for staffing, or \$0.5 million more than enacted. It also includes \$0.1 million more for contracted information technology services, \$17,099 more for computer and other equipment purchases, and \$0.3 million less for other operating expenses, such as \$0.1 million less for leased office space and \$0.1 million less for laundry services. The request reflects the anticipated grant award as well some available carry-forward funding.

FY 2017 grant funding supported Day One, Planned Parenthood of Southern New England, Rhode Island Coalition Against Domestic Violence, Rhode Island Donation Exchange and United Way of Rhode Island. *The Governor recommended \$5,052 more than requested for statewide benefit adjustments.* **The Assembly concurred.**

Rhode Island Alliance of Boys and Girls Clubs. The Department requested 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 recommended funding as requested.* **The Assembly concurred.**

Day One. The Department requested the enacted level of \$217,000 from general revenues for outreach programs and supportive services programs at Day One. *The Governor recommended funding as requested.* **The Assembly concurred.**

Institute for the Practice and Study of Non-Violence. The Department requested the enacted level of \$200,000 from general revenues to support the Institute's Violence Reduction Strategy program. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Community Food Bank. The Department requested the enacted level of \$175,000 from general revenues for food collection and distribution through the community food bank. *The Governor recommended funding as requested.* **The Assembly concurred.**

Community Action Agencies. The Department requested the enacted level of \$520,000 to support services provided by the state's nine community action agencies. *The Governor recommended funding as requested.* **The Assembly concurred.**

Crossroads. The Department requested the enacted level of \$300,000 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 recommended funding as requested.* **The Assembly provided an additional \$200,000 for total funding of \$500,000.**

Domestic Violence Prevention Activities. The Department requested \$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 Rhode Island Coalition Against Domestic Violence and distributed to domestic violence shelters in the state. General revenue funding of \$300,000 is used for the Domestic Violence Prevention Fund established in state statute. *The Governor recommended funding as requested.* **The Assembly concurred.**

Vocational Rehabilitation Services. The Department requested \$22.4 million from all sources for staffing and operations for vocational rehabilitation services, including \$4.0 million from general revenues and \$18.4 million from federal funds. The request is \$0.5 million less than enacted, including \$0.2 million more from general revenues offset by \$0.7 million less from federal funds, and is nearly consistent with the revised request. This includes \$0.1 million more than enacted for staffing, \$0.1 million more for temporary contracted services, and \$0.1 million more for rehabilitation service providers, offset by a \$0.8 million reduction to all other operating expenses. With the exception of costs associated with the lease of office space, the request eliminates all other operating expenses, such as utilities, printing and postage. This appears to reflect the allocation of Department operating costs to the administration of other programs based on projections of where costs are anticipated to occur. It should be noted that this shift of expenses is inconsistent with actual FY 2017 spending. *The Governor recommended \$30,569 more than requested including \$6,515 more from general revenues for statewide benefit adjustments.* **The Assembly concurred and included funding for cost-of-living adjustments.**

Medicaid Rehabilitative Services. The Department requested \$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 \$0.3 million for personal care attendants, \$0.3 million for social services for the blind, and \$0.4 million for home modification services. The request is \$0.1 million less than enacted, primarily from payments for personal care attendants, and is \$0.3 million more than spent in FY 2017. *The Governor recommended funding as requested.* **The Assembly concurred.**

Services for the Blind and Visually Impaired. The Department requested \$0.4 million from all sources of funds, including \$0.2 million from general revenues, for services to the blind and visually impaired. The request is \$0.6 million less than enacted, primarily from general revenues, in order to reflect actual FY 2017 expenditures. This includes \$0.3 million more for staffing and \$0.3 million less for all services and expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Disability Determinations Services. The Department requested \$11.0 million from federal social security disability insurance funding to support the disability determination services unit within the Office of Rehabilitative Services. This unit is responsible for determining the medical eligibility of residents who have applied for cash benefits under the disability programs administered by the federal Social Security Administration, which are Social Security Disability Insurance and Supplementary Security Income. It is also responsible for collecting medical evidence of record and determining whether the claimant is disabled and/or blind as defined by the Social Security Act. The request is \$0.5 million less than enacted and \$1.5 million more than the revised request reflecting anticipated expenditures, which are reimbursed by the federal agency. It should be noted the Department historically overestimates anticipated expenditures for this program. *The Governor recommended \$18,271 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Refugee Assistance. The Department included \$2.0 million from federal funds for refugee assistance programs, \$1.3 million more than enacted and consistent with the revised request. The request primarily reflects \$1.1 million more for salaries and benefits from refugee social services funds. The Department subsequently reported that it inadvertently increased personnel expenses that would be allocated to this grant. The Department reported that excess personnel expenses will likely be charged to another federal source, but did not identify that source. *The Governor recommended \$4,221 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Other Staffing. The Department requested \$1.9 million from all sources for all other staffing expenses in the central management and individual and family support programs, \$0.2 million less than enacted and equivalent to approximately 1.2 fewer full-time positions. This includes \$0.7 million from general

revenues, \$1.2 million from federal funds, and \$0.1 million from restricted receipts. The request includes \$0.4 million more than enacted from general revenues, primarily reflecting a shift of expenses from restricted receipts for personnel within the Department's central management division. *The Governor recommended \$6,703 more from all sources including \$2,247 more from general revenues to reflect statewide benefit adjustments.* **The Assembly concurred and included funding for cost-of-living adjustments.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$7.2 million from all sources including \$4.8 million from general revenues for the Department's share of centralized services. This includes \$3.2 million for facilities management, \$1.3 million for human resources, and \$2.7 million for information technology services. It should be noted that of this amount, \$0.8 million and \$2.3 million are charged to the Division of Elderly Affairs and Office of Veterans' Affairs, respectively. **The Assembly concurred.**

Other Operations. The Department requested \$8.8 million from all sources for all other operations including \$1.5 million from general revenues, \$6.8 million from federal funds and \$0.5 million from restricted receipts. This is \$0.1 million less than enacted, including \$26,709 less from general revenues, \$124,870 less from federal sources and \$83,470 more from restricted receipts. This includes \$0.2 million more for grants for client and education services, offset by \$0.3 million less for postage expenses, utilities, office supplies, information technology, and other operating expenses. The reduction to operating expenses reflects the allocation of costs to program areas that are anticipated to incur the costs, such as cash assistance and Supplemental Nutrition Assistance Program administration. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital – Blind Vending Facilities. The Department requested 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. *The Governor recommended funding as requested.* **The Assembly concurred. This project is discussed in greater detail in the Capital Budget section of this publication.**

Office of Veterans' Affairs

The Office of Veterans' Affairs is comprised of three program areas, each serving Rhode Island's veterans and their families in different capacities. The Veterans' Home in Bristol serves approximately 200 veterans daily as a nursing home and provides supportive services for residents. The Veterans' Memorial Cemetery is located on 280 acres in Exeter, serving as the final resting place for the state's veterans and their eligible spouses or dependents. The Office's administration conducts, hosts educational events, and provides oversight to its other programs.

Federal per Diem. The Veterans' Home is paid a per diem rate by the federal government to assist in the daily cost 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 on October 1, 2016 of 1.2 percent for most residents; a rate increase is anticipated to occur upon passage of the federal FY 2018 budget. The per diem reimbursement varies to include: \$468.88 for those with a service connected disability, \$106.10 for nursing home care and \$45.79 for those in the dormitory setting. The request

assumes reimbursements consistent with these rates. *The Governor's recommended budget is consistent with the assumed rates.* **The Assembly concurred.**

Veterans' Home Staffing. The Office requested \$24.4 million from all sources for staffing expenses at the Veterans' Home, \$0.9 million more than enacted. The request includes \$16.9 million from general revenues, \$7.1 million from federal funds, and \$0.5 million from restricted receipts. The request reflects funding for 261.1 positions, 39.0 more than enacted. The new positions include licensed nurses, institutional attendants, cooks, group workers, and a storekeeper. The Office reported that the design of the facility requires additional staff in the dietary and activities departments, and additional nursing staff would reduce overtime costs. Using the Department's estimated cost of \$0.1 million per position, the request would fund the 39.0 positions for three months each. An additional \$2.2 million would be needed to fund the positions for the entire fiscal year.

The Governor recommended \$1.0 million less than requested from general revenues and does not include authorization for the requested positions. The recommendation reflects Budget Office current service estimates updated for statewide benefit adjustments. Current service estimates assumed the enacted level of positions as the resident population at the Home has not changed. **The Assembly concurred and included funding for cost-of-living adjustments.**

Veterans' Home Operations. The Office requested \$6.3 million for all other operating costs at the Veterans' Home in Bristol, which is \$1.1 million more than enacted. The request includes \$3.4 million from general revenues, \$2.1 million from federal funds, and \$0.8 million from restricted receipts. The request includes \$200,000 more from general revenues than enacted for increases in the Home's janitorial contracts, \$0.7 million more from federal funds for medical supplies and physical and occupational therapy services, and \$0.2 million more from restricted receipts for increased security costs at the new Home.

It should be noted that the Department of Administration also requested \$0.4 million from general revenues in its FY 2019 request for operating expenses at the new Veterans' Home. The request includes additional funding for grounds maintenance, snow removal, and other expenses. The Department of Administration is responsible for the exterior maintenance of the facility, while the Office is responsible for all maintenance and repairs within the home. *The Governor excluded the additional \$0.2 million from general revenues for janitorial contracts and concurred with the remainder of the request.* **The Assembly concurred.**

Other Operations. The Office requested \$1.9 million for all other operating expenses from general revenues, which is \$0.2 million more than the enacted budget. The request includes \$1.7 million for the remaining 18.0 full-time equivalent positions within the Office's administration and Veterans' Cemetery, \$0.2 million more than enacted for personnel costs. The request restores \$54,368 of turnover included in the enacted budget as well as additional adjustments to salaries, retirement expenses, and other benefits; \$0.2 million is equivalent to approximately 1.8 full-time equivalent positions. *The Governor recommended \$19,195 more than enacted from general revenues and \$0.2 million less than requested. The recommendation reflects Budget Office current service estimates updated for statewide benefit adjustments.* **The Assembly concurred and included funding for cost-of-living adjustments.**

Capital Projects. The Office requested \$0.4 million from federal funds for capital projects at the Rhode Island Veterans' Memorial Cemetery. The request is \$11.2 million less than enacted, primarily reflecting the completion of the new Veterans' Home in Bristol. This is not consistent with the capital request, which includes \$158,000 from restricted receipts for three projects at the cemetery. *The Governor recommended funding as requested.* **The Assembly concurred. A detailed description of these projects is included in the Capital Budget section of this publication.**

Division of Elderly Affairs

Integrated Care Initiative Grant. The Division was awarded a \$428,766 federal grant to be spent from FY 2017 through FY 2019 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 eligibles.” 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 spent \$0.1 million in FY 2017 and has programmed \$0.2 million in each FY 2018 and FY 2019. The request is \$0.3 million less than enacted as the entire grant award was programmed in FY 2018; however, the Division spent \$0.1 million in FY 2017 and anticipates spending \$170,046 in each FY 2018 and FY 2019. *The Governor recommended funding as requested.* **The Assembly concurred.**

Pharmaceutical Assistance to the Elderly. The Division requested \$2,621 from restricted receipts, \$0.1 million less than enacted and \$30,379 less than the revised request, for the pharmaceutical assistance to the elderly program. The Division spent \$56,006 in FY 2015, \$72,045 in FY 2016, and \$32,211 in FY 2017 to make the state’s portion of the pharmacy payment. The Department also noted that it anticipates collecting fewer rebates in FY 2019. The Division subsequently reported that participation in the program has continued to decline since the enactment of the Affordable Care Act and Medicaid expansion. *The Governor recommended funding essentially as requested.* **The Assembly concurred.**

Home and Community Care Services. The Division requested \$6.0 million from all sources, including \$2.9 million from general revenues for home care, adult day and case management services. This is \$0.3 million less than enacted, including \$0.2 million less from general revenues and \$0.1 million less from federal funds to reflect anticipated utilization of the programs. It should be noted that the Division spent \$5.3 million in FY 2014, \$5.0 million in FY 2015, \$6.2 million in FY 2016 and \$5.0 million in FY 2017. Based on program utilization in FY 2017 and through November of FY 2018, the request may be overstated. *The Governor recommended funding as requested.* **The Assembly provided an additional \$0.4 million, including \$0.2 million from general revenues to reflect an increase in home care rates.**

Senior Center Support. The Division requested the enacted level of \$400,000 from general revenues to support the state’s senior centers. *The Governor recommended total funding of \$800,000, or \$400,000 more than enacted.* **The Assembly concurred.**

Meals on Wheels/Elderly Nutrition Services. The Division requested \$1.4 million from all sources of funds to support Meals on Wheels and elderly nutrition services, nearly consistent with enacted funding. This includes the enacted amount of \$0.6 million from general revenues as well as \$0.8 million from federal Title III funding. *The Governor recommended funding as requested.* **The Assembly concurred.**

Respite Care. The Division requested the enacted level of \$140,000 for the Diocese of Providence to support the respite care program. *The Governor recommended funding as requested.* **The Assembly concurred.**

Elderly Housing Security. The Division requested 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, Section 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 funds can be used for a variety of purposes to make elders feel safe in their homes.

In its constrained request, the Department proposed to eliminate funding for elderly housing security grants. It states that elimination of this program will adversely affect the Division’s mission to keep elders within the community. If seniors are unable to remain independent in their home, this will impact the Medicaid

program as the need for long term care services will increase. *The Governor recommended funding consistent with the unconstrained request.* **The Assembly concurred.**

Long Term Care Ombudsman. The Division requested the enacted amount of \$0.2 million from all sources for the Long Term Care Ombudsman. The request includes \$0.1 million each from general revenues and federal Title VII funds. The Long Term Care Ombudsman, 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, Chapter 42-66.7. The ombudsman program identifies, investigates, and resolves complaints raised by each party. *The Governor recommended funding as requested.* **The Assembly concurred.**

Aging and Disability Resource Center. The Division oversees the Point Network Program, which is designed to bring information, referral, and long-term care options counseling to seniors, adults with disabilities, and their families. It includes the regional Aging and Disability Resource Centers, Senior Health Insurance Program, Senior Medicare Patrol Program, and Medicare Improvement for Patient and Providers Act. Services through this program are integrated at the regional level; there are currently six regional agencies. *The Governor concurred.*

The Assembly passed Section 6 of Article 13 of 2018-H 7200, Substitute A, as amended, to establish the Rhode Island Aging and Disability Resource Center. The Center will provide a statewide, toll-free information hotline, online web portal linking callers to long-term care screening tools, comprehensive database with long-term services programs, providers and community resources, and provide community education and outreach regarding its services. The Budget does not provide new funding for the new center, it assumes existing and other non-state resources will be used to support the initiative.

Target-Reduction in State Designated Grants. As part of its constrained request, the Department proposed reducing the amount of state designated grants within the Division of Elderly Affairs by \$44,671. The request proposes a 7.1 percent across the board reduction to the total general revenue budget for state designated grants, excluding the Elderly Housing Program and Meals on Wheels. The grant programs that would be affected are senior center support, elderly nutrition, the ombudsman program, and respite services. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Volunteer Guardianship Program. The Division requested the enacted amount of \$40,756 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 needing this advocacy service; guardianships under this program do not involve decision-making regarding the property or finances of the person. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Grants. The Division requested \$6.6 million from all sources for assistance and grants provided to local organizations providing health, nutrition, companion, and other supportive services to the state's elderly. The request is \$59,538 more than enacted, including \$37,508 more from federal sources reflecting anticipated awards, and \$19,030 more from general revenues for the state's share of case management expenses for in-home services. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Division requested \$4.1 million from all sources for other grant and operating expenditures within the division, including \$1.7 million from general revenues, \$2.2 million from federal funds and \$0.1 million from restricted receipts for indirect costs collected on federal grants. The request is \$0.2 million more than enacted, including \$146,653 more from general revenues, \$38,679 more from federal sources, and \$14,364 more from restricted receipts. It includes \$0.1 million more to support the

Division's 28.0 full-time equivalent positions and restores turnover equivalent to a 0.6 full-time equivalent position. The request also includes \$23,785 more for contracted information technology services and interpreters and \$0.1 million more for all other operating expenses. *The Governor recommended \$11,656 more than requested including \$5,017 more from general revenues reflecting statewide benefit rate adjustments.* **The Assembly concurred and included funding for cost-of-living adjustments.**

Dept. of Behavioral Healthcare, Developmental Disabilities and Hospitals

		FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program					
Central Management	\$	1,655,306	\$ 2,660,049	\$ 2,674,711	\$ 2,709,660
Services for the Dev. Disabled		256,907,760	272,138,416	250,808,432	271,714,489
Hosp. & Comm. System Support		2,317,954	3,007,455	2,869,849	2,914,415
Hospital & Comm. Rehab. Services		108,046,777	121,866,610	116,844,851	117,509,814
Behavioral Healthcare Services		28,162,439	28,704,868	27,546,084	27,603,577
Total	\$	397,090,236	\$ 428,377,398	\$ 400,743,927	\$ 422,451,955
Expenditures by Category					
Salaries and Benefits	\$	114,304,560	\$ 123,822,749	\$ 120,078,549	\$ 121,086,553
Contracted Services		3,263,348	2,518,575	2,050,935	2,825,719
Subtotal	\$	117,567,908	\$ 126,341,324	\$ 122,129,484	\$ 123,912,272
Other State Operations		14,697,742	27,736,861	27,987,184	27,987,184
Aid to Local Units of Government		-	-	-	-
Assistance, Grants, and Benefits		256,703,925	267,542,702	247,000,099	267,125,339
Capital		8,120,661	6,756,511	3,627,160	3,427,160
Capital Debt Service		-	-	-	-
Operating Transfers		-	-	-	-
Total	\$	397,090,236	\$ 428,377,398	\$ 400,743,927	\$ 422,451,955
Sources of Funds					
General Revenue	\$	176,448,622	\$ 191,949,876	\$ 179,401,491	\$ 188,091,966
Federal Aid		204,267,459	224,414,473	212,970,014	226,187,567
Restricted Receipts		8,509,155	5,978,956	5,072,422	5,072,422
Other		7,865,000	6,034,093	3,300,000	3,100,000
Total	\$	397,090,236	\$ 428,377,398	\$ 400,743,927	\$ 422,451,955
FTE Authorization		1,319.4	1,319.4	1,319.4	1,302.4

Summary. The Department requested \$442.6 million from all sources including \$197.3 million from general revenues, \$231.8 million from federal funds, \$8.5 million from Rhode Island Capital Plan funds and \$5.1 million from restricted receipts in its FY 2019 request. The request is \$45.6 million more than the FY 2018 enacted budget and includes \$20.9 million more from general revenues, \$27.5 million more from federal funds, \$3.4 million less from restricted receipts, and \$0.6 million more from Rhode Island Capital Plan funds.

The request also includes staffing of 1,320.7 positions; this is 1.3 positions more than the current authorized level. *The Governor recommended \$400.7 million from all sources, including \$179.4 million from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$9.8 million less than enacted from all sources, which is \$55.4 million less than requested. General revenues would be \$5.5 million more than enacted, \$26.4 million less than requested. The Governor recommended the enacted level of 1,319.4 full-time equivalent positions.*

The Assembly provided \$422.5 million, including \$188.1 million from general revenues, \$226.2 million from federal funds, \$5.1 million from restricted receipts and \$3.1 million from Rhode Island Capital Plan funds. This is \$21.7 million more than recommended, including \$8.7 million more from general revenues, and \$25.4 million more than enacted, including \$11.6 million more from general revenues. The Assembly included 1,302.4 positions, 17.0 positions less than recommended. This includes the transfer of 33.0 positions back to the Department to reverse the shift of finance positions to the Executive Office of Health and Human Services and the elimination of 50.0 unfunded vacant positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$159.8 million. The amount includes current service adjustments of \$0.7 million and a 10.0 percent target reduction of \$17.4 million.

FY 2019 Budget	Budget Office	Dept .of BHDDH	Difference
FY 2018 Enacted	\$ 176,448,622	\$ 176,448,622	\$ -
Current Service Adjustments	708,388	20,885,621	20,177,233
Change to FY 2018 Enacted	\$ 708,388	\$ 20,885,621	\$ 20,177,233
FY 2019 Current Service/Unconstrained Request	\$ 177,157,010	\$ 197,334,243	\$ 20,177,233
Target Reduction/Initiatives	(17,382,460)	(7,767,037)	9,615,423
FY 2019 Constrained Target/Request	\$ 159,774,550	\$ 189,567,206	\$ 29,792,656
<i>Change to FY 2018 Enacted</i>	<i>\$ (16,674,072)</i>	<i>\$ 13,118,584</i>	<i>\$ 29,792,656</i>

The constrained budget submitted by the Department is \$29.8 million more than the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the recommendation is \$11.2 million more than the target.* **The Assembly provided \$21.2 million above the target.**

Departmentwide

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$1.4 million from general revenues for FY 2019.**

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department, the revised budget identifies savings of \$0.8 million using available restricted receipts to offset general revenue expenses at Eleanor Slater Hospital; this is a one-time adjustment that is not available for FY 2019.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$13.5 million from all sources including \$8.4 million from general revenues for the Department's share of centralized services. This includes \$9.3 million for facilities management, of which \$5.5 million is from general revenues, \$1.7 million for human resources, of which \$1.0 million is from general revenues, and \$2.4 million for information technology services, of which \$2.0 million is from general revenues.

*The centralized charges in the Eleanor Slater Hospital program and Division of Developmental Disabilities total \$11.3 million, including \$7.0 million from general revenues. Since both programs have Medicaid matching rates of at least 50 percent, the Medicaid rate of 37.9 percent is significantly lower than what is allowed and currently being charged for other services in these programs. Using the corrected Medicaid rate, the recommended budget overfunds the general revenue Medicaid match by \$1.4 million. **The Assembly concurred with the exception of correcting for the Medicaid match.***

Capital Projects. The Department requested \$8.5 million from Rhode Island Capital Plan and Medicaid funds for various projects, \$0.5 million more than enacted. It should be noted that the Department's request for Rhode Island Capital Plan funds is not consistent with its FY 2019 through FY 2023 capital request which totals \$14.2 million for FY 2019. *The Governor recommended \$5.2 million less than requested; these projects are discussed in detail in the Capital Budget section of this publication.* **The Assembly reduced funding for the community facilities fire code project by \$0.2 million and concurred with the remainder of the recommendation; the Capital Budget section of this publication includes detailed project analyses.**

Division of Developmental Disabilities

Developmental Disabilities Programs. The state provides residential, day programming, family supports, and medical services to support adults with developmental disabilities. As of November 2017, there are 4,355 individuals receiving services through either the state-run system or through community based providers. This includes approximately 3,700 individuals receiving direct residential/day programming and/or family supports. There are also approximately 650 individuals who do not receive direct services but receive case management services from the division.

The Department's request includes \$288.9 million from all sources, including \$138.0 million from general revenues, for the program to support adults with developmental disabilities in its FY 2019 request, \$32.0 million more than enacted, including \$14.4 million more from general revenues. The request is also \$30.1 million more than FY 2017 spending, including \$12.9 million more from general revenues and \$6.0 million more than the revised request, including \$2.3 million more from general revenues.

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 2019 Gov. Rec.		FY 2019 Enacted	
		Gen. Rev.	All Funds	Gen. Rev.	All Funds
Privately Operated System - Residential and Day	3,602	\$ 99.3	\$ 209.5	\$ 107.4	\$ 229.2
Rehab Option - Day Programs	??	-	-	-	-
Medicaid CNOM - Day Programs	6	0.0	0.1	0.0	0.1
RICLAS (state-run) - Case Management Only	128	12.3	30.7	13.3	30.0
Other State Only Services & Admin.	680	<i>not separately available - included below</i>			
Capital Projects	n/a	-	1.3	-	1.1
Total**	4,416	\$ 116.7	\$ 250.8	\$ 127.2	\$ 271.7

*Enrollment as of April does not include the rehab option

The Governor recommended \$250.8 million, including \$116.7 million from general revenues; this is \$38.1 million less than requested, including \$21.3 million less from general revenues. Her recommendation is also \$21.4 million less the revised recommendation, of which \$12.5 million is from general revenues.

The Governor added \$26.9 million in the privately-operated system, \$10.9 million from general revenues and assumes savings of \$39.0 million, \$16.9 million from general revenues for several changes for a net savings of \$7.1 million, including \$6.0 million from general revenues.

The Governor also included Article 14 to implement a multi-tiered, needs based criteria for level of care and scope of services for adults with developmental disabilities. The Department is updating the Medicaid waiver to reflect what is in its current practice for services to developmentally disabled adults. Article 14 also allows the state to enter into a health home arrangement with the Centers for Medicare and Medicaid Services to obtain a 90/10 match for eight quarters for conflict-free case management services for its adults with developmental disabilities population. It also includes an alternative payment model by methodology by targeting those with the higher level Tier D and E resource allocations into a new payment structure to be effective January 1, 2019.

The Assembly provided \$271.7 million, including \$127.2 million from general revenues. This is \$20.9 million more than recommended, including \$9.6 million more from general revenues. The Assembly also enacted Section 7 of Article 13 to make the necessary waiver changes.

The Assembly also adopted Section 4 of Article 13 to increase home care rates paid through the Executive Office of Health and Human Services' Medicaid program. Since the Department pays the same rates as Medicaid through the community based program for home health aides, the Assembly added \$0.6 million, including \$0.3 million from general revenues in the Department's budget.

Monthly Caseload Report. Rhode Island General Law, Section 40.1-22-39 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 to be contained in the monthly report 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 working. The Department has indicated that it cannot report on the number of individuals employed, the place of employment or the number of hours working since it does not track that information. 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.

For the collection of patient liability, the Department reported 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 specific information and can only report it in the aggregate. It should be noted that the information is the same each month.

The Department does report the amount of funding authorized above the resource level but has not provided the information as to the approval process for additional services or what the services are.

The 2017 Assembly also expanded the reporting requirements to capture data on services provided and any sale of state owned property if revenue is used to offset advanced payments made to community based providers. It also requires that provider annual cost reports be submitted by the Department to the House and Senate fiscal advisors and the State Budget Officer by November 1 of each year, as of July 1, 2018, none have been submitted.

Program Eligibility. In Rhode Island, there are two pathways for a disabled individual (including those with a developmental disability) to receive Medicaid-funded long-term care services; either he or she is categorically eligible for Medicaid by meeting the federal disability criteria and income threshold for the 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 above the Supplemental Security Income threshold of \$735 a month. In this situation, the individuals must reduce their income by paying for a portion of his or her services, referred to as cost of care, which is meeting the medically needy monthly income limit of \$890. 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.

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 a 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 2017 caseload conference indicated that any individual eligible to enroll in the options program had done so. *The Governor did not recommend any revisions to enrollment for this population.*

Testimony regarding rates paid for certain home care services revealed that some individuals who require long term care services are not enrolled in plans that provide them. This leads to the Department purchasing them on a fee-for-service basis rather than through the managed care plans.

The Assembly included Section 5 of Article 13 of 2018-H 7200, Substitute A, as amended, requiring the Department to coordinate with the Executive Office of Health and Human Services' Medicaid program to ensure that developmentally disabled adults receiving residential and community based

services are also receiving the appropriate level of medical benefits if eligible for long term care services and supports. This will allow access to home based services paid at higher rates through the Medicaid managed care plans.

Department of Justice Consent Decree - Monitor. The Department's request includes the enacted level of \$450,000 for consent decree costs for the monitor, Charles Moseley. 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 reported that there are no specific activities tied to the \$150,000 not allocated for the monitor and cannot provide a list of these activities or how the funds were spent in FY 2017. *The Governor's recommendation transfers funding to the Executive Office's budget but incorrectly includes the full \$450,000 as general revenues; this appears to be an oversight. The Governor requested an amendment to correct the oversight.*

The Assembly concurred. It also added \$1.5 million, including \$0.8 million from general revenues, to provide adequate resources as community based agencies transition to providing integrated services that comply with the consent decree. The Assembly also designated three positions within the existing staffing authorization be available only for a quality improvement team to ensure agencies transition to providing services that comply.

Monitor Contract. The Department's constrained request adds \$150,000 from all funds, including \$75,000 from general revenues for the monitor contract. It appears that this is an error and should have been a reduction in the constrained request. *The Governor recommended this reduction as intended in the request.* **The Assembly concurred.**

Department of Justice Consent Decree – Conversion Institute. The Department included \$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. This is \$50,000 more than enacted, including \$25,000 from general revenues to reflect an updated scope of work to meet requirements of the consent decree. *The Governor recommended funding as requested.* **The Assembly concurred.**

Privately Operated System. The Department requested \$255.7 million including \$124.2 million from general revenues for privately provided residential, day and family support programs provided through the state's Medicaid global waiver in its current services request. This is \$27.0 million more than enacted, including \$12.7 million more from general revenues and \$14.3 million more from federal funds. The FY 2019 request is \$5.4 million more than the revised request, \$30.2 million more than spent in FY 2017 and \$49.0 million more than spent in FY 2016.

Beginning in October 2016, the Department instituted a new Support Intensity Systems (SIS) assessment model, SIS-A, that added new questions that results suggest may have provided significantly higher resources to program participants than before. The Department reported that this change was to address an individual's needs for certain behavioral health issues above the initial authorizations. In some cases, it should have lowered the instances where a provider or family eventually requested additional services through what is known as the "L-9" process, but that is not apparent in the funding request.

As of November 2017, the Department has stopped using the new SIS-A on current participants; only new clients are taking the SIS-A for services. It appears that the new questions did not have the unintended impact on new, mostly younger, entrants when comparing results from prior SIS assessments to the new tool. The Department has reported that of the requested increase, \$17.0 million, including \$8.3 million from general revenues is for current services for those reassessed under the new model.

The FY 2018 enacted budget also includes savings of \$10.7 million from all sources, including \$5.2 million from general revenues for four proposals. The Department reported that it had not achieved \$7.3 million of those savings, including \$3.6 million from general revenues. That funding is restored in both the FY 2018 revised and the FY 2019 requests.

The Department proposed reducing costs in the privately-operated program by \$5.1 million, including \$2.5 million from general revenues from reducing the availability of group home placements; however, it has not provided the plan for implementing this proposal.

The Governor recommended \$36.9 million less than requested, including \$19.8 million less from general revenues; this is \$8.0 million less than enacted including \$6.1 million less from general revenues. She includes \$25.7 million for projected program costs based on current trends. She also included four proposals that reduced expenses by \$32.8 million, including \$16.5 million from general revenues. Her changes are listed in the following table and discussed separately.

Privately Operated Program	FY 2019 Gov. Rec.		FY 2019 Enacted		FY 2019 Enacted to Gov. Rec.	
	General Revenues	Total	General Revenues	Total	General Revenues	Total
Current Service Adjustment	\$ 10,441,053	\$ 25,726,015	\$ 10,441,053	\$ 25,726,015	\$ -	\$ -
Validation of Assessment Tool	(10,290,059)	(20,305,136)	(3,577,514)	(6,609,714)	6,712,545	13,695,422
Resource Allocations Review Process & Reductions	(3,373,384)	(6,944,006)	(3,373,384)	(6,944,006)	-	-
Residential Conversion - Community Based Programs	(2,455,608)	(5,065,198)	(1,227,804)	(2,532,599)	1,227,804	2,532,599
Resource Levels (SIS Tiers)	(809,651)	(1,663,894)	-	-	809,651	1,663,894
Home Care Rates	-	-	301,692	620,000	301,692	620,000
Consent Decree - Provider Transition Services	-	-	750,000	1,541,307	750,000	1,541,307
Home Health/Case Management	470,001	1,180,001	(1,021,449)	1,420,001	(1,491,450)	240,000
Total	\$ (6,017,648)	\$ (7,072,218)	\$ 2,292,594	\$ 13,221,004	\$ 8,310,242	\$ 20,293,222
<i>Savings Initiatives to Enacted</i>	<i>\$ (16,458,701)</i>	<i>\$ (32,798,233)</i>	<i>\$ (9,200,151)</i>	<i>\$ (14,666,318)</i>	<i>\$ 7,258,550</i>	<i>\$ 18,131,915</i>

The Assembly provided \$21.0 million more than recommended for total funding of \$239.1 million, including \$112.4 million from general revenues, which is \$8.8 million more than recommended. This includes \$20.3 million more for direct services and \$0.8 million to correct funding transferred for the consent decree. As noted, the Assembly added \$1.5 million, including \$0.8 million from general revenues, to provide adequate resources so that agencies can transition to providing integrated services that comply with the consent decree. The Assembly also designated three positions within the existing staffing authorization be available exclusively for a quality improvement team to ensure that community based agencies transition to providing services that comply.

As noted, the Assembly also added \$0.6 million, including \$0.3 million from general revenues to reflect the impact of the home care rate increase on the Department's budget.

Assessment Tool Moratorium. The Department instituted new Support Intensity Systems (SIS) assessment model, SIS-A, in October 2016 that added new questions that results suggest may have provided significantly higher resources to program participants than before. As of November 2017, the Department has stopped using the new SIS-A on current participants; only new clients are taking the SIS-A for services. It appears that the new questions did not have the unintended impact on new, mostly younger, entrants when comparing results from prior SIS assessments to the new tool. As noted, the Department has reported that of the requested increase, \$17.4 million, including \$8.4 million from general revenues, is for current services for those reassessed under the new model.

The Governor's recommended budget includes savings of \$20.3 million, including \$10.3 million from general revenues from instituting a moratorium on using the new tool and validating the new assessment

questions. *The revised budget includes savings of \$4.4 million, including \$2.3 million from general revenues from this same action.* **The Assembly assumed savings of \$6.6 million, including \$3.6 million from general revenues, from the Department achieving about one-third of the savings proposed by the Governor for FY 2019.**

Resource Allocation Review Process and Reductions. The FY 2018 enacted budget assumes approximately \$16 million from all sources, of which \$8 million is from general revenues, for resource allocation for services above the service package authorizations. This reflects savings of \$1.5 million, including \$0.8 million from general revenues from a new process to monitor and approve through the “L-9” process. The Department’s request includes \$19.0 million, \$9.0 million from general revenues for these authorizations. This \$3.0 million increase includes \$1.5 million from general revenues and is from not achieving the savings and exceeding spending the estimate.

As noted above, it has been unable to manage these expenses as expected.

The Department proposed savings of \$3.1 million, including \$1.5 million from general revenues from reducing, reviewing, and limiting access to resources above the funding level provided through the tier authorizations. The FY 2018 enacted budget includes savings of \$1.7 million, including \$0.8 million from federal funds, from a similar proposal which the Department did not achieve and restored the funding.

The Governor included savings of \$6.9 million from all sources, including \$3.4 million from general revenues from making two changes to this process in her recommendation. She included savings of \$3.8 million, of which \$1.9 million is from general revenues, to reflect changes to the review process that increases the authorizations above the assigned tier levels and \$3.1 million, including \$1.5 million from general revenues from reducing the allocations. Savings from these two proposals total \$4.7 million, in her revised recommendation. **The Assembly concurred.**

Residential Conversion - Community Based Programs. The enacted budget assumes savings of \$4.2 million, including \$2.2 million from general revenues by transferring 66 individuals from a 24-hour group home placement to a less intensive setting and accelerating the implementation of new rules by the Centers for Medicare and Medicaid Services for home and community based services. That home and community care change will not be required until FY 2019. The Department’s request includes the savings. There is a 28-person census reduction when comparing the June 2017 total of 1,275 to the November total of 1,247 in FY 2018. These reductions include transitions to another placement as well as death.

The Department submitted a corrective action plan that included savings of \$1.8 million from all sources and \$0.9 million from general revenues from continuing to rebalance the system and provide services in the least restrictive setting. *The Governor assumed further savings of \$5.1 million, including \$2.5 million from general revenues from transferring individuals to less restrictive, lower cost, residential settings.* **The Assembly assumed savings of \$2.5 million, including \$1.2 million from general revenues, from the Department achieving about one-half of the savings recommended FY 2019.**

Resource Levels (SIS Tiers). The FY 2018 enacted budget includes savings of \$1.7 million, of which \$0.8 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 restored the savings. It reported that it could not properly track these individuals through the appeals process. *The Governor’s budget includes savings of \$1.7 million, of which \$0.8 million is from general revenues from providing for services for individuals based on the newly assessed tier.* **Based on the Department’s information that it cannot properly track this, the Assembly restored the savings.**

Professional Supports. The enacted budget includes savings of \$1.6 million, of which \$0.8 million is general revenues, from two changes to professional supports benefits, such as physical, speech and occupational therapy, and nursing supports, updating the process to approve the services and payment for those services. The Department would 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. The Department did not make either of the changes and requested funding to restore the savings. *The Governor recommended funding as requested.* **The Assembly concurred.**

Health Homes/Case Management. As part of the funding authorized for services through the community based system, the Department projected that \$6.5 million from all sources, including \$3.2 million from general revenues is for case management services.

Under the new federal rules for conflict-free case management effective for FY 2020, the agency providing the services cannot also act as the case manager that helps determine the services to be provided. Rhode Island is working toward separating the case management services and the direct services. Currently, a provider can do both of these activities.

The Governor sought authority in Article 13 for the Department to pursue an opportunity to leverage 90 percent federal funding through a health home initiative for conflict-free case management. This suggests that \$1.5 million in state costs could be available once implemented. These savings do not appear in the budget.

Supporting documentation suggests that funding has been added for two positions and a consultant to work on the initiative. However, the recommended budget appears to only include \$0.4 million from general revenues for a consultant and no additional staffing. **The Assembly included Section 7 of Article 13 for the health home initiative. The Assembly concurred with the contracted position but shifted \$0.2 million to Medicaid funds and assumed general revenue savings of \$1.5 million from fully realizing the 90 percent match on \$6.5 million in case management services starting January 1, 2019.**

Person Centered Supported Employment Performance Program. The Department requested \$6.8 million from all sources, including \$3.4 million from general revenues, to make payment to the community based providers who are participating in the person centered supported employment performance program as part of the state's consent decree. This includes certification payments, supplemental authorization and payments for meeting benchmarks in the consent decree. *The Governor recommended funding as requested. It should be noted that her revised budget reduces these payments by \$4.1 million, including \$2.0 million from general revenues consistent with the corrective action plan submitted by the Department to overcome its current year overspending.* **The Assembly concurred.**

Rehab Option - Day Programs. The Department eliminated the enacted level of \$0.7 million from all sources, including \$0.4 million from general revenues for services provided through the Medicaid rehabilitation option. It was previously reported that this is an optional program that 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 reported that the resources are instead used to support services to individuals who are eligible for the primary waiver.

The Department spent \$1.3 million in FY 2013, \$1.1 million in FY 2014, \$0.9 million in FY 2015 and \$0.6 million in FY 2016 and FY 2017. Services are provided by the 40 community agencies in the privately-operated system and the payments are made through Project Sustainability. *The Governor recommended funding as requested.* **The Assembly concurred.**

Medicaid CNOM - Day Programs. The Department requested \$94,256 from all sources for day programs through the Medicaid global waiver for services provided to individuals who are not otherwise eligible for

Medicaid. This is \$33,679 less than enacted, including \$17,262 less from general revenues. *The Governor recommended funding as requested.* **The Assembly concurred.**

Case Management System. The FY 2018 enacted budget assumes use of \$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 disabilities to comply with the consent decree. It also includes \$125,000 from general revenues for associated operating costs.

It appears no system is being purchased. Instead, in June 2017, the Department entered into a three-year agreement, with an option for two additional years for an electronic case management system with Therap. The contract calls for an annual payment of \$110 per person with a minimum of 4,000 people. The current active caseload is about 3,700. This means the annual cost to the state will be \$440,000 in the first year. The cost per person increases by \$3 each year, meaning the total costs would grow \$12,000 annually.

The Department's request eliminates the general revenues in its revised and FY 2019 requests based on the assumption that the funds set aside to buy a system would be used to cover the costs of the new service contract. *The Governor recommended a total \$220,000 from all sources, including \$110,000 from general revenues for the new system.* **The Assembly concurred.**

Administration and Other State Services. The Department requested \$9.0 million, including \$4.6 million from general revenues for administrative costs and other services for adults with developmental disabilities. This is \$47,663 less from all sources, including \$126,950 more from general revenues. This includes \$6.8 million for staffing costs in the division for 56 positions, restoring turnover for two positions and leaving 16 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 request also reduces habilitative services by \$0.3 million from all sources, including \$0.1 million from general revenues. The Department reported that it assumes these services would be paid through the Medicaid program since the services are provided through the community based agencies.

Direct services are provided to individuals who are not eligible for Medicaid funded services through any of the three Medicaid waiver programs. Services include parent subsidies, which total \$0.2 million and other community based services. *The Governor recommended \$0.1 million more than requested, including \$0.1 million less from general revenues. The budget includes \$0.1 million more for staffing funded from federal funds and \$0.1 million more for computers.* **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Rhode Island Community Living and Supports Program (RICLAS). There are 27 state run group homes and apartments that provide overnight care, of which two are special needs facilities that have the capacity to provide residential services to 167 clients. As of November 2017, there were 141 clients in the state-run facilities. The Department has established a policy that clients would be admitted into the state-run system in emergency situations only.

Of that amount, approximately 60 attend day programs operated by private providers which include: AccessPoint, Blackstone Valley, Bridges, Cove, Frank Olean Center, Fogarty Center, Living Innovations, Perspectives and Seven Hills. *The Governor's recommendation includes savings from transitioning services provided to residents in Bear Hills and Washington Hills apartment complexes from the state-run system to the privately-operated community based system.* **The Assembly concurred.**

Current Services - State Operated Program. The Department's current services request includes \$31.9 million from all sources, which equates to a daily rate of \$635.64 in the state-operated system. This is \$226,190 per person annually at the current census of 141 individuals. Residential settings include two

special care facilities, two apartments and 23 group homes. The request is \$3.1 million more than enacted from all sources, including \$0.7 million more from general revenues, \$0.5 million less from restricted receipts, and \$2.8 million more from federal funds. This appears to restore most of the \$3.7 million of savings from all sources assumed in the enacted budget from continuing to close homes through attrition. This includes the consolidation of residents allowing for the closure of five homes in FY 2018. Inexplicably, the general revenues restored totals only \$0.7 million, compared to the \$1.8 million assumed in the enacted budget.

Federal funds are from Medicaid and match general revenues; therefore it is not clear why those increase disproportionately to general revenues. General revenues are \$0.2 million more than the FY 2018 revised request, primarily for overtime expenses. Since growth in this program is not expected, the request may overfund current needs.

Restricted receipts are collections from client resources, including the \$774.92 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. These decline based on the current and declining caseload, consistent with FY 2017 actual spending and the FY 2018 revised request.

By category, the request adds \$3.6 million for staffing costs for a total of \$29.3 million for 287.0 full-time equivalent positions. This includes \$4.8 million for overtime, which is \$1.9 million more than enacted. The remaining operating costs of \$2.6 million from all sources are used for all other expenses. Of this amount, \$1.3 million is from client resources noted earlier. This includes \$0.7 million for food and medical supplies, \$0.2 million for fuel and utility costs at the state-run homes, \$0.4 million for food, \$0.4 million for general maintenance expenses, \$0.4 million for the dental clinic and other medical services, and \$0.1 million for plowing.

The enacted budget plan was to close two homes in July 2017, one in October, and two in January 2018; those closures did not occur. Instead, the Department has closed one of the three wings in the two remaining special care facilities, University Fields and Smithfield Commons. One wing at University Fields closed in May 2017, and one wing at the Smithfield Commons facility closed in October 2017.

The Department's constrained budget proposes savings of \$2.0 million from all sources, including \$0.9 million from general revenues, from limiting overtime costs, though it does not identify how.

*The Governor recommended \$0.8 million less than enacted and \$3.9 million less than requested. This assumed savings of \$2.0 million from all sources, including \$0.9 million from general revenues, from continuing to close units in the special care facilities consistent with federal guidance that will require these facilities to be phased out by FY 2020. This appears to assume a net savings of \$0.9 million, of which \$0.5 million is from general revenues, from transferring responsibility for those individuals living in the two apartment complexes to a private provider. The budget also assumes savings of \$0.9 million, including \$0.5 million from general revenues, from more closely managing worker's compensation incidents. Having individuals return to work who are able to reduce overtime costs. **The Assembly concurred with the savings proposals and added \$0.1 million from general revenues. This includes \$0.3 million for cost-of-living adjustments offset by \$0.2 million of savings from the impact of the voluntary retirement incentives.***

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. The FY 2019 enacted budget includes \$469.2 million to provide Medicaid coverage to adults between ages 19 to 64, without dependent children, with incomes at or below 138 percent of poverty. This reflects an updated enrollment of approximately 77,500 enrollees..

Behavioral Healthcare Link. The Department issued a Request for Proposals in October 2017 to potential providers for the Behavioral Healthcare Link initiative, which is expected to be statewide resource to provide 24-hour community based assessment and treatment for those experiencing a behavioral health care crisis. Individuals needing comprehensive behavioral health or addiction services, including screening and evaluation, crisis management, assessment, treatment coordination and discharge planning may seek care in a specialized facility. The Department did not specifically request funding for this new project in its FY 2019 request but substance abuse and mental health federal block grant funds could support this initiative.

The Governor included \$650,000 from general revenues for this project. The Department also indicated that it will use \$0.4 million from substance abuse block grant funds and \$0.4 million from mental health block grant funds for the first year. As of February 2018, the Department is in negotiations with the selected provider.

*The Department reported that once the program is operational, the provider will also be able to bill Medicaid. Any funding that may be required to support services billed is not included in the Executive Office of Health and Human Services' budget. The Governor included Article 14 to seek waiver approval for this initiative as part of the Medicaid resolution. **The Assembly concurred with the recommendation and included Section 7 of Article 13 to seek Medicaid funding for the specific services provided by Horizon Healthcare Partners through a new bundled rate.***

Recovery Houses. The Department requested the enacted level of \$200,000 from general revenues as part of the Justice Reinvention Initiative to fund recovery housing facilities. The Department certifies recovery housing facilities which includes adhering to standards set by the National Alliance for Recovery Residences and only certified housing facilities can receive state funding. *The Governor recommended funding as requested. **The Assembly concurred.***

Drug Overdose Prevention – Cooperative Agreement. The Department has entered into a Memorandum of Understanding with the Department of Health to implement the Prescription Drug Overdose Prevention for State grant program through the Community Navigator program, or certified peer recovery specialists program. The Department did not request any funding in its revised budget for this activity. *The Governor recommended \$100,000 from federal funds for this agreement and includes \$180,000 in her revised recommendation. **The Assembly concurred.***

Overdose Prevention and Intervention Action Plan. The Department requested \$2.0 million from federal State Targeted Response funds to support the state's Overdose Prevention and Intervention Action Plan that includes access to treatment and reducing deaths from overdose through prevention and recovery support initiatives. This is \$0.1 million less than enacted to reflect projected costs. *The Governor recommended funding as requested. **The Assembly concurred.***

Screening, Brief Intervention and Referral to Treatment Grant. The Department's request includes \$1.5 million, \$0.1 million less than enacted, for the third year of five-year federal Screening, Brief Intervention and Referral to Treatment Grant to pre-screen Rhode Islanders 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.

The Care Transformation Collaborative will implement the initiative in primary care, emergency departments, the Department of Corrections, and in the community. There will be collaboration with the State Innovation Model to include Community Health Teams and will screen 3,000 people in high risk settings each year.

The Department reported that this project is in coordination with the state's efforts to integrate health and behavioral health care; however, it has not reported or identified any additional costs in the budget of the Executive Office of Health and Human Services or Department of Corrections to provide the treatment. *The Governor recommended funding as requested.* **The Assembly concurred.**

Centers of Excellence – Medication Assisted Treatment Grant. The Department requested \$0.9 million from the federal medication assisted treatment grant to support the Centers of Excellence; this is \$0.1 million less than enacted for the final year of the grant. The funding will no longer be available for start-up centers. The Department reported that it will focus on the current Centers of Excellence and creating a media campaign to educate the public about services and potentially creating a liaison position within the existing centers to support clients transitioning to and from the community providers. *The Governor recommended funding as requested.* **The Assembly concurred.**

Substance Abuse Treatment Block Grant. The Department requested \$6.8 million from federal funds for the substance abuse treatment block grant, which is \$0.2 million less than enacted to support its request for increased staff noted earlier. Funding is awarded to community agencies to support local programs. This includes \$1.4 million for the municipal task forces, \$1.5 million for residential treatment, \$1.5 million for student assistance programs and \$0.5 million for methadone treatment. *The Governor recommended funding as requested.* **The Assembly concurred.**

Mental Health Block Grant. The Department requested \$1.9 million from the federally funded mental health block grant support services provided by the community mental health centers. This is \$0.1 million more than enacted and includes peer support, court diversion and family supports.

Peer support services are provided by the Rhode Island Parent Information Network at \$0.5 million. Other community based providers receiving funding include: The Kent Center, National Alliance on Mental Illness (NAMI), and Rhode Island Council on Community Mental Health Organizations. *The Governor recommended funding as requested.* **The Assembly concurred.**

Oasis Wellness and Recovery Center. The Oasis Wellness and Recovery Center is a community based organization providing support, including recovery support services and programs to individuals with behavioral health care issues. The 2017 Assembly allotted \$250,000 of federal mental health block grant funds for use in the support of services at the center as part of the FY 2018 enacted budget. The Department's request did not identify funding for the center FY 2019 or its FY 2018 revised budget. *The Governor's recommendation concurred with the Department's request.* **The Assembly included language in Article 1 that requires that \$250,000 from Social Services Block Grant funds be provided to The Providence Center to support services through Oasis Wellness and Recovery Center.**

Mental Health - Social Services Block Grant. The Department requested 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 recommended funding as requested.* **The Assembly concurred.**

Homelessness Prevention. The Department requested \$1.6 million from federal funds, which is \$26,446 less than enacted, to address the housing needs in coordination with the state and community based providers. The Department spent \$1.1 million for FY 2017 and includes \$1.7 million in its revised request.

The grant supports direct services, including mental health, substance abuse treatment, recovery services and peer supports to a total of 150 individuals, or 50 over the three-year grant award period, who are experiencing chronic homelessness or veterans who have mental health, substance use disorders or co-occurring mental health and substance use disorders. The Department contracts with Riverwood to work with other homeless service providers including: Amos House, House of Hope, The Providence Center, Crossroads, Providence In-Town Churches Association, Community Care Alliance and Newport County Community Mental Health Center. Agencies provide outreach services, case management services, recovery support services and employment training. *The Governor recommended funding as requested.* **The Assembly concurred.**

Healthy Transitions Grant. The Department requested federal funding of \$0.8 million, \$0.2 million less than enacted, from the healthy transitions grant awards to the Community Care Alliance, and the Kent Center for services not covered by Medicaid with the University of Rhode Island providing the evaluation in its revised request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Strategic Prevention Framework Grant. The Department requested federal funding totaling \$2.1 million from the 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; as well as reducing substance abuse-related problems and building prevention capacity and infrastructure at the state and community levels. This is \$48,182 less than enacted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Youth Treatment Implementation Grant. The Department requested \$0.7 million from federal funds, \$0.1 million more than enacted from the youth treatment implementation grant to focus on increasing access to screening, assessment, treatment and recovery services for adolescents ages 12-17 and young adults 18-25 who are at risk of or are experiencing substance use disorders and/or co-occurring substance use and mental health disorders. The project provides services, including outreach, engagement and treatment, to 1,160 youth and young adults over a four-year period. *The Governor recommended funding as requested.* **The Assembly concurred.**

Behavioral Healthcare Clinics Grant. The Department's request excludes \$1.0 million from federal funds to reflect the expiration of the behavioral healthcare clinics grant. The Rhode Island Certified Community Behavioral Health Clinic planning initiative was to develop a behavioral health system of care that is person-centered, trauma-informed and recovery-oriented. The Department had entered into a contract with the University of Massachusetts for this initiative. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Youth Treatment Program. The Department's request excludes \$250,373 from federal funds from the youth treatment program to reflect expiration of the grant. Funding supported a coordinator who was responsible for systems integration with the Department of Children, Youth and Families, and creation as well as the implementation of a strategic plan. *The Governor recommended funding as requested.* **The Assembly concurred.**

Salaries and Benefits. The Department requested \$5.4 million from all sources, \$2.2 million from general revenues, for salaries and benefits to fully fund 44.0 positions in the Division of Behavioral Healthcare Services. This is \$1.0 million more than enacted, including \$0.1 million more from general revenues and \$0.9 million more from federal funds. The Department added 9.0 full-time equivalent positions transferred from the other four divisions, including: 2.0 from central management, 1.7 from the hospital and community system support and the remainder from Eleanor Slater Hospital and developmental disabilities. It is unclear if these are new positions or a reallocation of staff to available funding.

*The Governor recommended \$24,131 more than requested, including \$9,108 more from general revenues adjusting for statewide benefit adjustments. **The Assembly added \$57,493 for cost-of-living adjustments and concurred with the remainder of the recommendation.***

Other Operations. The Department requested \$0.9 million from all sources, including \$0.2 million from general revenues for all other operations. This is \$12,300 less from general revenues and includes \$0.6 million for grants, primarily from federal funds for homelessness prevention services and \$0.2 million for all other operating expenses.

The request includes \$0.1 million from general revenues for SYNAR tobacco related activities and funding to Rhode Island Housing to operate the Thresholds program. FY 2017 spending for SYNAR totaled \$21,753 including: \$9,667 to Providence, \$1,017 to Warwick and \$227 to Bristol. The Department has reported that general revenues are required for these activities. A payment was not made to Rhode Island Housing for the Thresholds program in FY 2017. *The Governor recommended funding as requested. **The Assembly concurred.***

Eleanor Slater Hospital

The state hospital is a 495 bed-licensed facility comprised of two campuses: 306 licensed beds at the main Pastore campus in Cranston of which 133 are occupied and 189 licensed beds of which 99 are occupied at the Zambarano unit in Burrillville.

Hospital Operations. The Department requested \$116.8 million from all funds, including \$53.0 million from general revenues for hospital operations based on a census of 247 patients. This equates to an annual cost per person of \$472,698 including the capital plan funding. This is \$13.9 million more than enacted, including \$6.4 million more from general revenues, \$10.5 million more from federal funds and \$3.0 million less from third party billing. The request is also \$5.5 million more than the revised request, including \$2.4 million more from general revenues. It is also \$6.6 million more than spent in FY 2017 and \$3.4 million more than spent in FY 2016.

The enacted budget includes savings from two initiatives: a hospital reorganization plan and increasing third party billings which are a direct offset to state costs at the hospital. Savings from the reorganization plan totals \$11.2 million, which the Department assumed it will not achieve and restored the funding. The request also restores the \$1.6 million from savings included from third party billing and further lowers those receipts by another \$1.3 million.

The FY 2019 request budgets all of the additional resources as staffing and does not adjust other operating expenses, which would seem appropriate since portions of the hospital consolidation plan should be significantly underway or completed during FY 2019. With staffing being the only significant change, it is difficult to analyze the true staffing and operating costs at the state-run hospital.

The study completed by Applied Management Services noted the expensive per patient cost at the state-run hospital compared to similar hospitals, and that savings would occur from a reduction in overtime and

adjustments to staffing patterns. That appears to have not occurred and instead there is increased hiring to serve both campuses.

The Department’s constrained request proposes savings of \$3.0 million from all sources, including \$1.4 million from general revenues from the hospital reorganization. As noted, the Department’s request restores all original savings included from the FY 2018 enacted budget for the reorganization. It is unclear why the Department’s FY 2019 budget added back the savings in the enacted budget and then simply proposed the savings again.

The Governor recommended \$107.7 million, including \$48.7 million from general revenues which is \$9.1 million less than requested, including \$4.3 million less from general revenues. She included three proposals to achieve \$3.5 million in savings, including \$1.7 million from general revenues; each is shown in the following table and discussed separately.

Eleanor Slater Hospital	FY 2019 Gov. Rec.		FY 2019 Enacted	
	General Revenues	Total	General Revenues	Total
Zambarano Unit Consolidation	\$ (1,000,000)	\$ (2,055,076)	\$ -	\$ -
Adolph Meyer Consolidation	-	-	(1,000,000)	(2,055,076)
Hospital Patients to Other Settings	(234,330)	(481,566)	(234,330)	(481,566)
Workers' Compensation Plan	(491,693)	(1,010,467)	(491,693)	(1,010,467)
Total	\$ (1,726,023)	\$ (3,547,109)	\$ (1,726,023)	\$ (3,547,109)

The Governor proposed savings of \$2.1 million from closing one unit at Zambarano and consolidating 20 patients in the remaining three units. This is the annualized savings based on making this change in FY 2018.

The Governor assumed savings of \$0.5 million, from transferring hospital patients to other residential settings. Based on supporting documentation this is the net savings to the hospital based on reducing staffing needs to the updated census and the cost of the individuals in another setting. All funding associated with the transferred patients would need to move to the department paying for the alternate setting, most likely the Executive Office of Health and Human Services.

The Governor’s budget includes savings of \$1.0 million from all sources, including \$0.5 million from reducing overtime expenses from more closely managing individuals who are out on workers’ compensation to have them return to work as soon as able.

The Department provided updated information that the overtime savings from closing a hospital unit would occur at the Adolph Meyer building and not at Zambarano hospital in FY 2018 and the Assembly assumed the same change in FY 2019.

The Assembly provided \$108.3 million, including \$49.6 million from general revenues, \$55.1 million from federal funds and \$3.6 million from restricted receipts. The Assembly did not concur with the unit consolidation at Zambarano but did assume savings could be achieved through unit closures at the Cranston campus based on updated information from the Department. It did concur with the other proposals and also added \$0.9 million for cost-of-living adjustments offset by \$0.2 million savings from the impact of the voluntary retirement incentives.

Hospital Accreditation. The Department had been issued a “Preliminary Denial of Accreditation” from the Joint Commission on Accreditation of Hospitals (JCAHO) based on deficiencies at the state-run hospital. In November 2017, the hospital’s accreditation was reinstated based on an approval of plans to correct

deficiencies. The Department has been asked to provide to House Fiscal Staff the initial findings and mitigation plan that was submitted to the Joint Commission. The Department has not provided either document. The revised and FY 2019 budget submissions do not identify any additional costs for the mitigation plan to address the deficiencies. *The Governor provided \$0.7 million, including \$0.4 million from general revenues to support staffing needs to meet the conditions in the mitigation plan in her revised budget but does not including funding for FY 2019.*

*For FY 2018, the Department reported it needs to fill 18 vacant positions totaling \$1.3 million. The positions include: two hospital compliance officers, six mental health workers, eight psychiatric institutional attendants and two certified nursing assistants. The Department reported that there are savings anticipated from lowering overtime costs. **The Assembly concurred and did not include additional funding in FY 2019 for the mitigation plan. It should be noted the Department received a three-year accreditation based on the reorganization plan included in the capital budget for renovations to the Regan building.***

Capital - Hospital Reorganization Plan. The Department requested \$25.0 million from Rhode Island Capital Plan funds for its hospital reorganization project and included \$3.3 million for FY 2019 in its five-year capital request.

It should be noted that the Department of Administration's capital budget includes \$38.3 million from Rhode Island Capital Plan funds to reorganize hospital operations for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. The request assumes two options: the first is to renovate the Regan Building to consolidate psychiatric patients and administrative support services. A portion of the Mathias Building would also be renovated for forensic psychiatric patients. The second option calls for the renovation of the Gloria McDonald Building. The building is currently vacant and the Department had previously indicated it would need a complete overhaul, including exterior renovation, upgrading the electrical and plumbing systems and installing a new heating, ventilation and air conditioning system.

Subsequent to the capital budget submission, the Department of Administration indicated that it is pursuing other options. One option would be to renovate the Department of Children, Youth and Families' Roosevelt Benton Youth Assessment Center.

*The Governor provided \$23.8 million in the five-year capital plan in the Department of Administration's budget, including \$7.9 million for FY 2018, \$11.8 million for FY 2019 and \$4.1 million for FY 2020. This includes renovations to the Benton facility. She subsequently requested a new article to add \$22.0 million for renovations to Eleanor Slater Hospital which is part of a \$49.9 million project to renovate three units for psychiatric patients. The renovation includes upgrading one medical unit, new information technology and data systems, new elevators, roof replacement, new flooring, masonry work and new furniture and equipment. This may include the long-term care information system. This is discussed in the capital budget section of the analysis. **The Assembly concurred and passed Article 16 to fund the renovations.***

Long Term Care Information System. The Department requested \$2.5 million from all sources, including \$1.2 million from general revenues for a new hospital information system. It also requested a new system in its capital request from Rhode Island Capital Plan funds. The only updated information provided by the Department for the new system is that it is coordinating with the Department of Administration on the procurement.

The Department excluded the \$2.5 million in its constrained request. *The Governor did not recommend this request. **As noted, the Assembly passed Article 16 which included funding for information technology which may provide for a new hospital information system.***

Hospital Licensing Fee. The Department requested the enacted level of \$6.8 million from all sources to pay the 5.862 percent fee assessed on state and community hospitals' revenue for the hospital year ending September 30, 2016. It includes \$3.0 million from general revenues and \$3.7 million from federal funds. The Department's request incorrectly shifts \$0.3 million from general revenues to federal funds. *The Governor recommended funding as requested.* **The Assembly included Section 2 of Article 7 of 2018-H 7200, Substitute A, as amended, to update the license fee to 6.0 percent using 2017 base revenues. The state payment totals \$6.8 million, including \$3.2 million from general revenues.**

Hospital and Community System Support

Salaries and Benefits. The Department requested \$2.0 million from all sources from general revenues for salaries and benefits to support 3.0 positions in the hospital and community support program as well as continuing to fund the 11.0 finance staff transferred to the Executive Office of Health and Human Services. The Executive Office has not finalized a plan to allocate the funding commensurate with where the positions are assigned, so the Department continues to include the funding in its budget. This is \$19,060 more than enacted for updated benefits. The request is \$0.3 million more than spent in FY 2017. *The Governor recommended \$0.2 million less than requested to put expenses more in line with prior year spending.* **The Assembly added \$44,566 for cost-of-living adjustments, transferred positions back from the Executive Office, and concurred with the remainder of the recommendation.**

Other Expenses. The Department requested \$93,000 from general revenues for operations in the hospital and community system support program. This includes \$82,200 for operating and \$3,700 for contracted services, including information technology services and building maintenance and \$6,250 more than enacted to purchase new computers. *The Governor recommended \$38,810 less than requested.* **The Assembly concurred.**

Central Management

Salaries and Benefits. The Department requested \$1.5 million from general revenues for staffing costs in central management. This is \$66,354 less than enacted and includes 11.0 positions. It uses updated planning values and assumes leaving 1.0 additional position vacant. *The Governor recommended \$0.1 million less than requested, leaves 1.5 positions vacant, and included statewide benefit adjustments.* **The Assembly added \$34,949 for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Other Expenses. The Department requested \$11,850 less than enacted for total funding of \$96,710 from general revenues for all other central management expenses. *The Governor recommended \$50,622 less than requested.* **The Assembly concurred.**

Office of the Child Advocate

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 882,015	\$ 757,423	\$ 912,409	\$ 1,037,026
Contracted Services	500	30,333	13,151	13,151
Subtotal	\$ 882,515	\$ 787,756	\$ 925,560	\$ 1,050,177
Other State Operations	23,820	133,264	126,001	126,001
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	17,785	-	17,785	17,785
Capital	2,000	41,516	2,000	2,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 926,120	\$ 962,536	\$ 1,071,346	\$ 1,195,963
Sources of Funds				
General Revenue	\$ 781,499	\$ 728,558	\$ 923,704	\$ 969,922
Federal Aid	144,621	233,978	147,642	226,041
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 926,120	\$ 962,536	\$ 1,071,346	\$ 1,195,963
FTE Authorization	8.0	8.0	8.6	10.0

Summary. The Office of the Child Advocate requested \$1.3 million from all sources, including \$1.0 million from general revenues and \$0.3 million from federal funds and 13.0 positions in its FY 2019 request. The request includes \$0.2 million more from general revenues and \$0.2 million more from federal funds. The request includes 13.0 full-time equivalent positions, 5.0 more than the enacted authorization and 4.0 more than the revised request.

*The Governor recommended \$0.1 million more than enacted and \$0.3 million less than requested. Excluding centralized services transferred from the Department of Administration, the recommendation is \$49,104 more than enacted, including \$46,083 more from general revenues. The staffing recommendation of 8.6 is 0.6 above the enacted level. Currently, all positions are filled. **The Assembly provided \$0.1 million more than recommended and authorization for 10.0 positions, 1.4 more than recommended.***

Target Issues. The Budget Office provided the Office with a general revenue target of \$710,732. The amount includes current service adjustments of \$8,203 and a 10.0 percent target reduction of \$78,970.

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

FY 2019 Budget	Budget Office	Child Advocate	Difference
FY 2018 Enacted	\$ 781,499	\$ 781,499	\$ -
Current Service Adjustments	8,203	77,779	69,576
New Initiatives	-	247,503	247,503
Change to FY 2018 Enacted	\$ 8,203	\$ 325,282	\$ 317,079
FY 2019 Current Service / Unconstrained Request	\$ 789,702	\$ 1,106,781	\$ 317,079
Target Reduction/Initiatives	(78,970)	(247,506)	(168,536)
FY 2019 Constrained Target/Request	\$ 710,732	\$ 859,275	\$ 148,543
<i>Change to FY 2018 Enacted</i>	\$ (70,767)	\$ 77,776	\$ 148,543

Children’s Rights Settlement. The state finalized its settlement agreement with Children’s Rights which provides for an independent, monitoring team consisting of the Office of the Child Advocate as the monitor, and a data validator who will be an independent evaluator and final arbiter of the information that is submitted by the Department of Children, Youth and Families to meet its obligations under the settlement agreement. *The Governor added \$50,651 from general revenues for a new 0.6 position to assist with oversight and other responsibilities.* **The Assembly provided for 1.0 position and added \$32,415 from all sources to fund it.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$18,496 from general revenues for FY 2019.**

Planning and Program Specialist (3.0 FTE). The Office requested \$250,745 from all funds, including \$84,792 from general revenues and authorization for three new Senior Planning and Program Development Specialist positions. One of the positions was also included in the revised request.

These positions would assist with the Office’s statutory responsibility to conduct reviews of child fatalities, investigating alleged institutional abuse or neglect, assessing the Child Protective Services call log daily to identify and take appropriate action on matters requiring intervention from the Child Advocate, and assisting with investigations at the Rhode Island Training School. The Office reported that with its current staffing, it is not possible to conduct oversight of all facilities licensed by the Department of Children, Youth and Families and provide timely and thorough reports of findings. *The Governor did not recommend the new position, but did recommend a part-time position as noted above.* **The Assembly did not concur.**

Public Information and Education Coordinator (1.0 FTE). The Office requested \$89,005 from general revenues for a new position to assist in training and staff development, manage public information requests and to act in an advisory capacity with other state agencies. *The Governor did not include the position.* **The Assembly concurred.**

Policy Analyst (1.0 FTE). The Office requested \$73,706 from general revenues for a new policy/management analyst. The individual would assist with administrative policy, methods, procedural, organizational and operational reports of facilities licensed by the Department of Children, Youth and Families and the Rhode Island Training School. *The Governor did not include the new position.* **The Assembly added \$73,706 from federal funds and authorization for the new position.**

Salaries and Benefits. The Office requested \$0.7 million from general revenues and \$0.1 million from federal funds for all other salaries and benefits for its authorized 8.0 full-time equivalent positions, \$22,977 less than enacted from all sources of funds and \$2,746 more from federal funds. This includes updated medical benefit costs reflecting plan choice and corrected benefit rates. *The Governor recommended*

\$2,720 more than requested, of which \$2,445 is from general revenues for statewide benefit adjustments. The Assembly added \$18,496 for cost-of-living adjustments.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$96,122 from general revenues for the Office's share of centralized services. This includes \$70,209 for facilities management and \$25,913 for information technology services. The Assembly concurred.*

Operating Expenses. The Office requested \$62,815 for its operating expenses. This is \$18,710 more than enacted from general revenues of which \$12,465 is for contracted clerical services and \$4,799 is for cell phones, which is consistent with the revised request. The clerical services are not in the revised request or FY 2017 actuals, but are consistent with FY 2016 expenses. It is unclear if this funding is needed. *The Governor recommended funding as requested. The Assembly concurred.*

Commission on the Deaf and Hard of Hearing

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 467,069	\$ 355,052	\$ 450,334	\$ 462,045
Contracted Services	100,646	113,000	61,108	61,108
Subtotal	\$ 567,715	\$ 468,052	\$ 511,442	\$ 523,153
Other State Operations	57,395	113,081	73,025	73,025
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	2,800	2,800	7,000	7,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 627,910	\$ 583,933	\$ 591,467	\$ 603,178
Sources of Funds				
General Revenue	\$ 498,710	\$ 454,733	\$ 511,467	\$ 523,178
Federal Aid	-	-	-	-
Restricted Receipts	129,200	129,200	80,000	80,000
Other	-	-	-	-
Total	\$ 627,910	\$ 583,933	\$ 591,467	\$ 603,178
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Commission requested \$614,359 from all sources and 5.0 full-time equivalent positions. This is \$13,551 less than enacted, including \$7,649 more from general revenues and \$21,200 less from restricted receipts. The Commission intended to request \$0.6 million from general revenues as the unconstrained request. *The Governor recommended \$0.6 million from all sources and staffing consistent with the authorized level. Excluding the cost of centralized services transferred from the Department of Administration, the recommendation is \$55,273 less than enacted and \$41,722 less than requested.* **The Assembly concurred and provided \$11,711 from general revenues for cost-of-living-adjustments.**

Target Issues. The Budget Office provided the Commission with a general revenue target of \$453,784. The amount includes current service adjustments of \$5,494 and a 10.0 percent target reduction of \$50,420.

FY 2019 Budget	Budget Office	Deaf and Hard of Hearing	Difference
FY 2018 Enacted	\$ 498,710	\$ 498,710	\$ -
Current Service Adjustments	5,494	7,649	2,155
New Initiatives*	-	[87,690]	-
Change to FY 2018 Enacted	\$ 5,494	\$ 7,649	\$ 2,155
FY 2019 Current Service/ Unconstrained Request	\$ 504,204	\$ 506,359	\$ 2,155
Target Reduction/Initiatives	(50,420)	(136,347)	(85,927)
FY 2019 Constrained Target/Request	\$ 453,784	\$ 370,012	\$ (83,772)
<i>Change to FY 2018 Enacted</i>	<i>\$(44,926)</i>	<i>\$(128,698)</i>	<i>\$(83,772)</i>

*New position requested, but not properly reflected in documents.

The constrained budget submitted by the agency is \$83,772 less than the target. This issue and proposals to achieve constrained budget reductions are noted among the items described below where appropriate. *Adjusted for centralized services, the recommendation is \$38,853 more than the target.* **The enacted budget is \$69,394 more than the target.**

Statewide Cost-of-Living Adjustment. The Governor recently reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$11,711 from general revenues for FY 2019.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$18,830 from general revenues for the Commission's share of centralized information technology services.* **The Assembly concurred.**

Parent Advocate and Resource Specialist (1.0 FTE). The Commission intended to request \$87,690 from general revenues and 1.0 new full-time equivalent position for a new Parent Advocate and Resource Specialist. The position will allow the Commission to work with parents, state agencies, and organizations that have direct support to children who are deaf and hard of hearing throughout the state. Furthermore, the Commission indicates that the request aligns with its interest in achieving its strategic goal of guaranteeing that early intervention services have adequate resources to support families whose children are deaf and hard of hearing.

The Commission excluded this from its constrained request. *The Governor concurred with the constrained request.* **The Assembly concurred.**

Other Salaries and Benefits. The Commission requested \$0.5 million from general revenues for salaries and benefits to fully fund the Commission's other 4.0 full-time equivalent positions, which are currently filled. This is \$9,367 less than enacted to reflect current service adjustments and updated employee benefit selection. *The Governor recommended \$7,368 less than requested to include additional savings from medical benefits.* **The Assembly concurred and provided \$11,711 from general revenues for cost-of-living adjustments.**

Interpreter Services. The Commission requested \$53,262 from all sources for interpreter services, including the emergency interpreter referral service. This is \$10,316 more than enacted, which includes \$14,016 more from general revenues and \$3,700 less from restricted receipts. However, the Commission has indicated its intent was to request only \$7,662 more from general revenues. Contracted interpreters provide support for commission meetings, public hearings, informational sessions, and interoffice communication that could not be served by the staff interpreter. The majority of the requested increase will be used to implement a training series for community partners, stakeholders and law enforcement officers. The request is \$9,564 less than FY 2017 reported expenditures and is \$7,962 more than the revised request. For FY 2018 and beyond, the hiring of a full-time interpreter was expected to decrease expenses for contracted interpreters.

The constrained request reduces interpreter services by \$34,962, including \$6,300 for the emergency interpreter referral service. *The Governor recommended \$7,662 more than enacted, consistent with the Commission's intended request.* **The Assembly concurred.**

Copy Machine Lease. The Commission requested \$3,000 from general revenues for the lease of a new copy machine. The FY 2018 enacted budget did not include funding for this expense, although \$2,000 was included in the revised request. The Commission indicated it does not expect to sign the lease before FY 2019. The constrained request excludes this expense. *The Governor recommended \$3,000, consistent with the unconstrained request.* **The Assembly concurred.**

Emergency and Public Communication Access. The Commission requested \$89,700 from restricted receipts for expenses associated with the Emergency and Public Communication Access program created by the 2013 Assembly. This is funded with \$80,000 annually from the Dual Party Phone Relay surcharge of \$0.09 on all landlines. The request is \$17,500 less than enacted which primarily reflects reversing the enacted budget assumption that \$15,000 from these resources would be for contracted interpreter services in lieu of general revenues. Expenditures include \$40,000 for a contracted employee to manage the program and \$33,000 for electronic communications equipment. The remaining \$16,700 is spent for printing associated with advertising, travel, staff training, subscriptions and other office supplies. *The Governor recommended \$80,000 consistent with the annual transfer. This is \$28,000 less than requested for temporary services.* **The Assembly concurred.**

Other Operating. The Commission requested \$10,695 from general revenues for other operations such as telecommunication expenses, office supplies, equipment and out of state travel. The request is consistent with the FY 2018 enacted level. In FY 2017, the Commission spent \$11,087 for these expenses, which is \$392 more than the request.

The Commission's constrained request excludes these funds. *The Governor recommended funding consistent with the enacted budget.* **The Assembly concurred.**

Governor's Commission on Disabilities

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 406,794	\$ 412,658	\$ 419,110	\$ 429,090
Contracted Services	54,864	42,728	46,033	46,033
Subtotal	\$ 461,658	\$ 455,386	\$ 465,143	\$ 475,123
Other State Operations	41,318	62,295	57,652	57,652
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	339,214	353,400	354,500	854,500
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 842,190	\$ 871,081	\$ 877,295	\$ 1,387,275
Sources of Funds				
General Revenue	\$ 454,938	\$ 482,316	\$ 492,557	\$ 1,002,537
Federal Aid	343,542	335,167	335,167	335,167
Restricted Receipts	43,710	53,598	49,571	49,571
Other	-	-	-	-
Total	\$ 842,190	\$ 871,081	\$ 877,295	\$ 1,387,275
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Governor's Commission on Disabilities requested FY 2019 expenditures of \$0.9 million from all sources and the authorized level of 4.0 full-time equivalent positions. This is \$59,218 more than enacted, including \$56,779 more from general revenues.

The Governor recommended \$0.9 million from all sources of funds. Excluding the cost of centralized services transferred from the Department of Administration, the recommendation is \$9,790 more than enacted and \$49,428 less than requested. The Assembly concurred and provided \$9,980 for cost-of-living adjustments and transferred funding for the Livable Home Modification Grant Program from the Executive Office of Health and Human Services to the Commission.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$412,773.

FY 2019 Budget	Budget Office	Commission on Disabilities	Difference
FY 2018 Enacted	\$ 454,938	\$ 454,938	\$ -
Current Service Adjustments	3,699	56,779	53,080
Change to FY 2018 Enacted	\$ 3,699	\$ 56,779	\$ 53,080
FY 2019 Current Service/Unconstrained Request	\$ 458,637	\$ 511,717	\$ 53,080
Target Reduction/Initiatives	(45,864)	(45,960)	(96)
FY 2019 Constrained Target/Request	\$ 412,773	\$ 465,757	\$ 52,984
Change to FY 2018 Enacted	\$ (42,165)	\$ 10,819	\$ 52,984

The amount includes current service adjustments of \$3,699 and a 10.0 percent target reduction of \$45,864.

The constrained request is \$52,984 above the target level. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding centralized services, the recommendation is \$54,469 more than the target.* **The enacted budget is \$0.6 million more than the target to primarily reflect the transfer of funding for the Livable Home Modification Grant Program.**

Statewide Cost-of-Living Adjustment. The Governor recently reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly provided \$9,980 from general revenues for FY 2019.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$25,315 from general revenues for the Commission's share of centralized services. This includes \$5,776 for human resources and \$19,539 for information technology services.* **The Assembly concurred.**

Livable Home Modification Grant Program. The FY 2018 enacted budget includes \$250,000 from general revenues in the Executive Office of Health and Human Services' budget for home modification projects. The funds are used to support home modifications and accessibility enhancements to construct, retrofit and/or renovate residences to allow individuals to remain in community settings; this will be in coordination with the Governor's Commission on Disabilities. *The Governor recommended funding of \$250,000 in the Executive Office of Health and Human Services' budget.* **The Assembly provided a total of \$0.5 million and included funding for the program in the Commission's budget, which will be spent in coordination with the Executive Office of Health and Human Services.**

Statewide Independent Living Program. The request includes \$0.4 million from all sources for the Statewide Independent Living Program, including \$29,308 from general revenues and \$335,167 from federal funds, consistent with the revised request. This is \$9,421 less than enacted, including increases of \$1,651 for staff time allocated to the program and \$16,794 more for habilitative services, offset by reductions for travel, insurance and printing costs based on historical spending patterns.

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 scope of services to be provided by the Centers for Independent Living, as well as the goals for expanding independent living. *The Governor recommended \$7 more than requested for benefit adjustments.* **The Assembly concurred.**

Salaries and Benefits. The Commission requested \$454,820 from all sources to fund its authorized 4.0 full-time equivalent positions. This is \$55,211 more than enacted, including \$43,107 more from general revenues. The request is \$39,408 more than the current service estimate provided by the Budget Office. It includes \$2,703 for step increases for a position that was upgraded last year. Consistent with the revised request, it also includes \$4,360 in longevity payments, which the Commission indicated was in error. It appears that the intent was to request funding at the current service level.

The Commission's constrained budget includes a savings of \$50,983, including \$45,960 from general revenues for staffing costs to be achieved by closing its office every Friday at 12:00 noon, which would impact services that the Commission provides. This reduction is not likely feasible as proposed. The Commission included this proposal in its last two constrained budgets; however, neither the Governor nor the Assembly concurred. The savings also equates to approximately half of a full-time equivalent position.

*The Governor recommended \$10,658 more from all sources than enacted, including \$3,507 more from general revenues. **The Assembly concurred and provided \$9,980 from general revenues for cost-of-living adjustments.***

Other Expenses. The Commission requested \$0.1 million for all other expenses. This is \$13,428 more than enacted, of which \$14,718 is for clerical services. The Commission obtains clerical services for posting of meeting notices and taking minutes at meetings. It indicated that the increase is requested to relieve the executive secretary of the Commission from performing administrative duties.

The request also includes adjustments for interpreter services and computer aided real-time transcription for individuals who are deaf or hard of hearing. It also includes \$18,400 to fund five fellowships. This reflects full funding for four Mary Brennan Fellowships and one fellowship funded with restricted receipts 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. *The Governor recommended \$4,882 less for clerical services than requested. **The Assembly concurred.***

Office of the Mental Health Advocate

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 535,404	\$ 538,265	\$ 541,726	\$ 555,222
Contracted Services	1,950	1,950	2,200	2,200
Subtotal	\$ 537,354	\$ 540,215	\$ 543,926	\$ 557,422
Other State Operations	11,709	92,758	95,338	95,338
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	500	500	500	500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 549,563	\$ 633,473	\$ 639,764	\$ 653,260
Sources of Funds				
General Revenue	\$ 549,563	\$ 633,473	\$ 639,764	\$ 653,260
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 549,563	\$ 633,473	\$ 639,764	\$ 653,260
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Office of the Mental Health Advocate requested \$644,858 from general revenues and 5.0 positions to support its operations. This is \$95,295 and one position above the enacted level. *The Governor recommended \$0.1 million more than enacted from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$6,572 more than enacted from general revenues. The staffing recommendation is at the authorized level of 4.0 positions. The Assembly concurred and added \$13,496 for cost-of-living adjustments.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$499,381. The amount includes current service adjustments that increase expenses by \$5,305 and a 10.0 percent target reduction of \$55,487.

	Mental Health				
FY 2019 Budget	Budget Office	Advocate	Difference		
FY 2018 Enacted	\$ 549,563	\$ 549,563	\$ -		
Current Service Adjustments	5,305	9,856	4,551		
New Initiatives	-	85,439	85,439		
Change to FY 2018 Enacted	\$ 5,305	\$ 95,295	\$ 89,990		
FY 2019 Current Service/Unconstrained Request	\$ 554,868	\$ 644,858	\$ 89,990		
Target Reduction/Initiatives	(55,487)	(132,194)	(76,707)		
FY 2019 Constrained Target/Request	\$ 499,381	\$ 512,664	\$ 13,283		
Change to FY 2018 Enacted	\$ (50,182)	\$ (36,899)	\$ 13,283		

The constrained budget submitted by the agency is \$13,283 above the target. The proposals to achieve the reduction are noted below where appropriate. *Excluding centralized services, the Governor's budget is \$0.1 million more than the target. The enacted budget is \$0.1 million above the target.*

Monitoring and Evaluation Specialist (1.0 FTE). The Office requested a new monitoring and evaluation specialist at an annual cost of \$85,439. The specialist will assist clients in securing treatment services, investigate reports of improper or insufficient treatment, maintain a presence at the state-run Eleanor Slater Hospital to monitor treatment and patient rights, and review facility procedures licensed by the state to ensure compliance with mental health laws.

The Office excluded this position in its constrained request. *The Governor did not recommend the position. The Assembly concurred.*

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$13,496 from general revenues for FY 2019.*

Other Salaries and Benefits. The Office requested \$540,710 for salaries and benefits, \$5,306 more than enacted for its 4.0 positions. The request fully funds wages and associated benefits based on the rates established in the Budget Office's planning values. The Office reduced two full-time attorney positions to 0.8 positions for savings of \$46,755 to meet its constrained target. *The Governor recommended \$1,016 more than requested to reflect adjustments to statewide benefit rates; all the positions are filled. The Assembly concurred.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$83,629 from general revenues for centralized information technology services. The Assembly concurred.*

Other Operations. The Office requested \$18,709 for other operations, which is \$4,550 more than enacted. The request also includes the enacted level of \$1,500 for psychiatric evaluations. The Office's request adds \$3,100 for computer and software upgrades and other supplies and \$250 for interpreter services, consistent with the revised request. The request also includes \$1,200 for staff attorneys to attend courses for continuing legal education credits, also consistent with the revised request. The costs were previously not paid by the state and instead by the attorney attending the training/seminar. The Office reports that this covers a portion of the costs and anticipates continued out-of-pocket spending by the attendee. *The Governor recommended the requested funding for the interpreters but did not include the \$4,300 for other expenses. The Assembly concurred.*

Department of Elementary and Secondary Education

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
State Aid	\$ 910,766,136	\$ 913,454,681	\$ 929,230,399	\$ 938,174,860
School Housing Aid	80,000,000	80,000,000	80,000,000	80,000,000
Teachers' Retirement	101,833,986	101,773,928	107,118,409	106,118,409
RI School for the Deaf	7,361,090	7,745,456	7,840,134	7,971,191
Central Falls School District	39,878,367	39,878,367	40,397,886	40,752,939
Davies Career & Technical School	23,251,665	19,624,512	20,698,553	22,503,082
Met. Career & Tech. School	11,765,007	12,193,626	9,592,007	9,592,007
Administration	227,717,292	233,339,535	239,009,307	239,137,270
Total	\$ 1,402,573,543	\$ 1,408,010,105	\$ 1,433,886,695	\$ 1,444,249,758
Expenditures by Category				
Salaries and Benefits	\$ 40,052,510	\$ 40,033,566	\$ 41,134,148	\$ 41,756,679
Contracted Services	36,294,230	42,548,500	43,138,616	42,938,616
Subtotal	\$ 76,346,740	\$ 82,582,066	\$ 84,272,764	\$ 84,695,295
Other State Operations	6,707,450	8,506,249	8,512,832	8,577,850
Aid to Local Units of Government	1,211,604,550	1,215,115,595	1,235,527,981	1,243,827,495
Assistance, Grants, and Benefits	26,015,512	25,390,922	28,332,925	28,432,925
Capital	7,369,696	4,056,912	2,516,207	3,992,207
Capital Debt Service	-	-	-	-
Operating Transfers	74,529,595	72,358,361	74,723,986	74,723,986
Total	\$ 1,402,573,543	\$ 1,408,010,105	\$ 1,433,886,695	\$ 1,444,249,758
Sources of Funds				
General Revenue	\$ 1,161,071,396	\$ 1,161,321,687	\$ 1,179,752,845	\$ 1,188,639,908
Federal Aid	203,500,000	209,321,162	214,475,474	214,475,474
Restricted Receipts	30,420,147	33,058,441	35,755,376	35,755,376
Other	7,582,000	4,308,815	3,903,000	5,379,000
Total	\$ 1,402,573,543	\$ 1,408,010,105	\$ 1,433,886,695	\$ 1,444,249,758
FTE Authorization				
Administration	139.1	139.1	141.1	135.1
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	321.1

Summary. The Council on Elementary and Secondary Education requested \$1,440.6 million from all sources of funds, including \$1,188.3 million from general revenues. The request is \$38.0 million more than enacted from all sources, including \$27.2 million more from general revenues. The staffing request includes 331.1 full-time equivalent positions, 6.0 positions more than enacted. The Department also submitted a constrained request that totals \$1,186.4 million from general revenues, which is \$1.9 million less than the unconstrained request. *The Governor recommended \$1,433.9 million from all sources, which is \$31.3 million more than enacted. The recommendation includes \$1,179.8 million from general revenues,*

\$18.7 million more than enacted and \$8.6 million less than requested. Excluding centralized services transferred from the Department of Administration, the increase to the enacted budget is \$31.2 million, including \$18.6 million from general revenues. The Governor recommended 327.1 full-time equivalent positions, 2.0 more than enacted. As of the pay period ending January 20, the Department had 27.1 vacancies.

The recommendation includes the eighth year of the funding formula, adding \$1.1 million for early childhood education categorical funding. 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 2019 budget assume level funding for all categories.

The Governor's budget recommendation includes several changes to the traditional school housing aid program, including the addition of temporary incentives that could increase the state's share of a local district's new construction projects, enhanced responsibilities and oversight of projects by the School Building Authority, and the use of Rhode Island Health and Educational Building Corporation funds to support the Authority's staff and expenses. She also proposed allowing non-deaf and non-hard-of-hearing students to attend the Rhode Island School for the Deaf, with regulations to be determined by the Commissioner on Elementary and Secondary Education. These new students would be funded pursuant to the funding formula, with local districts transferring the local share of per pupil costs to the School.

*The Governor subsequently requested an amendment to increase education aid by \$6.4 million based on updated enrollment data and Permanent School funds by \$0.1 million. **The Assembly provided total funding of \$1,444.2 million, which includes \$0.8 million for cost-of-living-adjustments. It concurred with the request to increase education aid, added \$0.3 million and \$0.6 million from general revenues for English language learner and regional school district transportation aid, respectively, and established a new category of aid to support School Resource Officers. The increases were offset by a \$1.0 million reduction to teacher retirement based on updated wage growth estimates. The Assembly also eliminated 6.0 vacant positions for total authorization of 321.1.***

The Assembly concurred with several proposed changes to the traditional housing aid program, but limited the use of Rhode Island Health and Educational Building Corporation funds to personnel only, established minimum maintenance spending requirements, and established a permanent state share incentive for school safety projects. It excluded the proposed changes to the Rhode Island School for the Deaf and included requirements for the Department to report fall student enrollments and provide an estimate of funding formula costs as part of its budget submission.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$0.8 million from general revenues for FY 2019.**

Target Issues. The Budget Office provided the Department with a general revenue target of \$1,178.7 million. The amount includes current service adjustments of \$19.6 million and a 10.0 percent target reduction, adjusted for certain exclusions, of \$2.0 million.

The constrained budget submitted by the agency is \$7.7 million above the target. The proposals to achieve the reduction are noted among the items described below where appropriate. *The Governor's budget is \$1.0 million more than the target, adjusted for centralized services expenses. **The enacted budget is \$10.0 million more than the target.***

FY 2019 Budget	Budget Office	Elementary and Secondary Ed.	Difference
FY 2018 Enacted	\$ 1,161,071,396	\$ 1,161,071,396	\$ -
Current Service Adjustments	19,589,312	24,819,563	5,230,251
New Initiatives	-	2,428,432	2,428,432
Change to FY 2018 Enacted	\$ 19,589,312	\$ 27,247,995	\$ 7,658,683
FY 2019 Current Service/ Unconstrained Request	\$ 1,180,660,708	\$ 1,188,319,391	\$ 7,658,683
Target Reduction/Initiatives	(1,978,621)	(1,900,000)	78,621
FY 2019 Constrained Target/Request	\$ 1,178,682,087	\$ 1,186,419,391	\$ 7,737,304
Change to FY 2018 Enacted	\$ 17,610,691	\$ 25,347,995	\$ 7,737,304

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's FY 2019 budget identifies \$28,500 from ongoing savings from a voluntary retirement incentive as a measure to reach the undistributed savings goal.* **The Assembly concurred.**

Education Aid. The Council requested \$873.2 million for state aid to local school districts, excluding the Central Falls School District and the Met School. This represents the eighth year of the education funding formula adopted by the 2010 Assembly. The request is \$13.9 million more than the enacted level based on updated data, including enrollment and poverty, and consistent with the Budget Office current service calculation. *The Governor recommended \$0.3 million less than requested, reflecting updated state share ratio data provided subsequent to the Council's request. She subsequently requested an amendment to add \$6.1 million based on updated enrollment data.* **The Assembly concurred. It also enacted legislation requiring the Department to provide an estimate of funding formula costs as part of its budget submission and report October 1 enrollments by December 1.**

Group Home Aid. The Council requested \$4.0 million to fund beds for communities hosting group homes, which is \$0.1 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 request assumes a bed count of 397, consistent with the enacted budget. *The Governor recommended \$0.4 million less than requested, based on the December 31 bed count of 365 beds; this is 32 fewer beds than in the enacted budget.* **The Assembly concurred.**

Central Falls School District. The Council requested \$40.8 million from general revenues to support the Central Falls School District for FY 2019, which is \$0.9 million more than enacted. The increase reflects year eight of the funding formula offset by an allocation of stabilization funds. 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 fifth year the Department has requested stabilization funding and it includes \$8.8 million in its request, which is \$2.1 million more than it received for FY 2018. The request also includes a \$1.2 million reduction reflecting a declining Central Falls enrollment primarily due to the growth of charter schools. *The Governor recommended \$0.4 million less than requested from stabilization funds, consistent with the Budget Office's current service estimates. She subsequently requested an amendment to add \$0.4 million in stabilization funding reflecting a recent contract settlement.* **The Assembly concurred.**

Metropolitan Career and Technical School. The Council requested \$9.3 million for the Metropolitan Career and Technical School, which is consistent with the enacted budget. It reflects the impact of year eight 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 its share for each student and the sending districts contributing a local share. The 2016 Assembly enacted a stabilization fund for state schools in order to mitigate some of the losses in funding from the implementation of the funding formula, which provided \$0.8 million to the Met School in FY 2018.

Using projected FY 2019 enrollments of 799 students and 538 free and reduced-price lunch students, total formula aid is projected to be \$8.0 million or approximately \$0.6 million less than FY 2018 enacted aid. This decrease will be transitioned over two 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 Governor recommended funding as requested. The Assembly concurred.*

School Choice Density Aid. The Council requested \$0.5 million to support districts who have at least 5.0 percent of their students enrolled in a charter or state school, which is \$0.4 million less than enacted. This reflects the final year of a three-year program. Districts received \$175 per pupil in FY 2017 and \$100 per pupil in FY 2018 for every student sent to a charter or state school. For FY 2019, the per pupil support is reduced to \$50 per student, consistent with current law. *The Governor recommended funding as requested. She subsequently requested an amendment to reduce funding by \$19,650 based on updated enrollment data. The Assembly concurred.*

Career and Technical Education Categorical Funding. The Council requested \$4.5 million for career and technical education categorical funding for FY 2019, consistent with the enacted budget. This was originally intended to be phased-in over the ten-year period; however, it has been level funded since FY 2017. 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 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 2017, 23 schools and districts received career and technical categorical funding. *The Governor recommended funding as requested. The Assembly concurred.*

Early Childhood Categorical Funding. The Council requested \$7.4 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 eight 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 2018, 21 organizations received funds through a request for proposals process. This pilot program began in FY 2010 with \$700,000.

Additional funding is requested to fulfill the Department's commitment to providing a non-federal match for the pre-kindergarten expansion grant that will span several years; the grant is discussed separately. It requested \$1.1 million from general revenues as a match for \$5.6 million from federal funds for the fourth year of the grant program.

The Governor recommended \$7.4 million as requested, with the additional \$1.1 million to be funded from prior balances accrued in the Permanent School Fund. The Department also receives an annual appropriation of \$300,000 from the Fund, which has supported the advanced coursework network since FY 2017. The fund

revenues are from auctioneer fees. As of December 11, 2017, the available fund balance is \$2.0 million; the Governor's out-year projections assume the additional categorical funding will be replaced by general revenues. **The Assembly concurred.**

High Cost Special Education. The Council requested \$4.5 million for high-cost special education students as part of the education funding formula, consistent with the enacted budget. This was originally intended to be phased-in over the ten-year period; however, it has been level funded since FY 2017. 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. *The Governor recommended funding as requested.* **The Assembly concurred.**

Non-Public School Transportation Categorical Funding. The Council requested \$3.0 million for non-public school transportation categorical funding, consistent with the enacted budget. This was originally intended to be phased-in over the ten-year period; however, the request level funds this categorical at the enacted amount. The funding formula allows for additional resources from the state for specific purposes. The state assumes the costs of non-public out-of-district transportation for those districts participating in the statewide transportation system. 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.

Prior to FY 2018, funding for transportation costs was allocated through a single category of aid. The Department then divided and separately distributed funding for non-public and regional school district transportation. Based on each category's share of the total costs, the 2017 Assembly enacted legislation creating two distinct categories of aid, one for non-public transportation and one for regional school districts. *The Governor recommended funding as requested.* **The Assembly concurred.**

Regional School District Transportation Categorical Funding. The Council requested \$3.8 million for regional school district transportation categorical funding, consistent with the enacted budget. This was originally intended to be phased-in over the ten-year period; however, the request level funds this categorical at the enacted amount. 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 within regional school districts. 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.

Prior to FY 2018, funding for transportation costs was allocated through a single category of aid. The Department then divided and separately distributed funding for non-public and regional school district transportation costs, based on each category's share of the total. The 2017 Assembly enacted legislation creating two distinct categories of aid, one for non-public transportation and one for regional school districts. *The Governor recommended funding as requested.* **The Assembly provided an additional \$0.6 million from general revenues.**

English Language Learners Categorical Funding. The Council requested \$5.2 million for English language learner categorical funding, which is \$2.7 million more than enacted. In 2016, 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 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. In 2017, the Assembly enacted legislation establishing a permanent category of aid for English language learners. *The Governor recommended total funding of \$2.5 million, consistent with the enacted budget. The Assembly provided an additional \$250,000.*

School Resource Officer Support. School Resource Officers are career law enforcement officers employed by police departments and assigned to work in collaboration with one or more schools. Officers receive specialized training in school policing before being assigned to a school. **The Assembly established a voluntary pilot program for a new category of education aid to support new School Resource Officers for a period of three years beginning in FY 2019. It included \$2.0 million from general revenues for the first year of the program.**

School Housing Aid. The Council requested \$80.0 million from general revenues for school housing aid. This includes \$69.4 million for the traditional program and \$10.6 million for the School Building Authority Capital Fund. Compared to the enacted budget, the request shifts \$1.5 million from the traditional program to the capital fund reflecting anticipated housing aid distributions. Current law requires that the difference between the annual housing aid appropriation and actual aid go to the Fund, therefore funding for capital projects may be revised to reflect actual aid distributions.

The 2015 Assembly established a new School Building Authority office within the Department 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 Authority's recommendations and state shares of aid are consistent with the existing formula.

The Governor recommended funding as requested. Her budget recommendation also includes several changes to the traditional school housing aid program, including the addition of temporary incentives that could increase the state's share of local districts' new construction projects, enhanced responsibilities and oversight of projects by the School Building Authority, and the use of Rhode Island Health and Educational Building Corporation funds to support the Authority's staff and expenses, mentioned separately. Charter schools would be eligible to receive these new incentives and would receive an increase in their minimum share ratio from 30.0 percent to 35.0 percent. The Governor proposed \$250.0 million of new general obligation bonds be submitted to the voters on the November 2018 ballot for public school construction and repairs over the next five years.

It should be noted that the out-year estimates included with the Governor's recommended budget include debt service payments made for the bonds, but do not include additional costs through the standard state appropriation. As the state's share would temporarily increase through the proposed legislation, additional funding would be needed to reimburse these projects, beyond the \$80.0 million assumed annually in the Governor's projections. The Assembly concurred with several of the recommended changes to the housing aid program, but excluded the proposed increase to the minimum share ratio, limited the use of Corporation fees, and included a minimum maintenance spending requirement phased-in over a number of years. It provided total funding as recommended and enacted legislation requiring that for FY 2019 and FY 2020, the difference between the annual housing aid appropriation and actual housing aid commitments be used for technical assistance to districts.

Teacher Retirement. The Council requested \$107.1 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$5.3 million to the FY 2018 enacted level based on FY 2019 rates and a 3.0 percent assumed 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 recommended funding as requested.* **The Assembly reduced funding by \$1.0 million based on actual wage growth through April 2018.**

Education Telecommunications Access Fund. The Council requested \$1.6 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 2019. This is \$0.1 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 fund is designed to provide financial assistance to qualified libraries and schools to acquire, install, and use telecommunications technologies to access the internet. This fund is supported by a \$0.26 monthly surcharge levied upon each residence and business telephone access line, supported by general revenues when surcharge revenues are insufficient. The federal allocation varies based on the result of the local education agencies' technology surveys and applications and the number of students eligible for free and reduced-price lunches.

Based on actual FY 2017 collections, the Department estimated it will collect \$1.2 million from the monthly surcharge levied upon each residence and business telephone access, which is \$0.1 million more than the revised request. *The Governor recommended \$582 more from restricted receipts, reflecting a request by the Department made subsequent to the submission of its budget request.* **The Assembly concurred.**

School Breakfast. The Council requested 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 recommended funding as requested.* **The Assembly concurred.**

Textbook Reimbursement. The Council requested 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. In FY 2017, final program expenditures were \$159,541. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Student Transportation. The Council requested \$23.7 million from restricted receipts for the statewide transportation system, which is \$4.6 million more than enacted. Restricted receipts are collected from districts for transportation expenditures, less aid provided through the transportation categorical fund. The Department reported that additional receipts are required to support the second year of a two-year contract extension, which included a rate increase. It also reported higher utilization by local education agencies for out-of-district transportation for students attending charter schools, vocational schools, and special education programs.

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 recommended funding as requested.* **The Assembly concurred.**

Advanced Placement Tests. The Department requested \$170,000 from all sources for Advanced Placement test fee waivers, which is \$75,000 more than enacted and consistent with its revised request. The request includes \$115,000 from general revenues and \$55,000 from federal Every Student Succeeds Act block grant funds; the enacted budget assumed \$95,000 from a federal Advanced Placement fee waiver grant, which was one of several grants eliminated under the Every Student Succeeds Act. The request is more than double what the Department has spent in either of the last two fiscal years; in FY 2017, it spent \$79,433 and in FY 2016, it spent \$75,564. The total request would fund 4,473 fee waivers.

The Department offers fee waivers of \$38 per test for qualifying low-income students and, when coupled with the College Board's \$32 per test fee waiver and schools foregoing their \$9 per test rebate, allows low income students to pay \$15 per test. The full price of each exam is \$94. *The Governor recommended total funding of \$55,000 from available federal funds; she did not recommend the additional general revenues.* **The Assembly provided \$25,000 from general revenues for total funding of \$80,000.**

SAT/PSAT. The Council requested \$0.8 million from all sources to continue to provide free SAT and PSAT tests to public high school students. The request is \$150,000 more from general revenues than enacted and consistent with the revised request. The 2016 Assembly approved the use of \$0.5 million from general revenues for FY 2017 for a new initiative to provide the tests for free to all public high school students. Under this initiative, sophomores may take the PSAT and juniors may take the SAT at no cost. Beginning in FY 2018, the tests will replace the Partnership for Assessment of Readiness for College and Careers assessment at the high school level. The Department reported that additional funds are required to support an anticipated test participation increase of 25.0 percent; however, this is inconsistent with October 2017 sophomore and junior enrollments. *The Governor recommended funding as requested.* **The Assembly did not concur and provided funding consistent with the enacted budget.**

Teacher Evaluation and Assessment Tools. Consistent with previous requests, the Council requested \$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 through FY 2018 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 request also includes \$150,000 for the annual license fee to maintain student assessment tools and provide 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 previously reported 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 reprogrammed general revenues and federal funds to support these programs in FY 2018, with nearly half of related expenditures supported by federal Title VI funds. However, 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 did not recommend funding for this initiative.* **The Assembly concurred.**

Principal Empowerment and Training. The Council requested 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 for FY 2017 to begin this initiative. For FY 2018, the Department will use \$200,000 to fund mini-grants for principals and their leadership teams to provide professional development and access to resources on school leadership and \$157,000 to support a year-long principal training initiative in partnership with LeadRI, a nonprofit organization comprised of executives from companies and nonprofits across the state. The Department will use the remaining funds to support a leadership fellow who will support local education agencies to design and implement leadership supports for current principals and teacher leadership models. *The Governor recommended funding as requested.* **The Assembly concurred.**

Recovery High School. The Council requested 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 2017 Assembly removed language in the legislation that limited funding to FY 2017 only. *The Governor recommended funding as requested.* **The Assembly concurred.**

Computer Science for RI (1.0 FTE). The Council requested \$0.5 million from general revenues, which is \$0.3 million more than enacted and authorization for 1.0 new full-time equivalent position to continue the Computer Science for RI initiative. Additional funding will be used to provide students with post-secondary credentials related to computer science. The request also includes the transfer of one full-time equivalent position and associated funding from Rhode Island College to the Department. It currently has an agreement in place with the College to pass program funds to the College's Office of Innovation, which is coordinating the initiative. For FY 2019, it proposes shifting the program to the Department.

Funding is used to provide low or no-cost options for schools to expand computer science education through educational resources provided by partner organizations. Providers include Bootstrap, Code.org, Project Lead the Way, the Microsoft Philanthropies TEALS program, and the University of Rhode Island. The program will continue to support teacher professional development, which is provided by partner organizations. 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 recommended \$260,000 from general revenues, \$50,000 more than enacted; according to the Budget Office, this reflects the Department's intended request. She did not recommend authorization for a new position; the position will remain with the College.* **The Assembly did not concur and provided funding consistent with the enacted budget.**

Advanced Coursework Network. The Council requested \$0.6 million to support its advanced coursework network initiative, including \$0.3 million each from permanent school funds and general revenues. This is \$0.1 million more than enacted from general revenues, and consistent with the revised request. The request also includes \$30,000 to create an online platform that would allow students to enroll in network courses and dual and concurrent enrollment courses through the same website. The dual and concurrent enrollment program is offered through the Office of Postsecondary Commissioner and is not linked to the advanced coursework network; the enacted budget includes \$1.3 million for this program in the Office's budget.

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. There are currently 38 members participating in the network, including public school districts, charter schools, and state schools, with courses offered by 12 provider organizations. Provider organizations include other school districts, non-profits, and postsecondary institutions. Courses include advanced science and mathematics, as well as Advanced Placement, world language, career-focused, and other Prepare RI courses that offer high school and postsecondary credit.

The network covers costs associated with student tuition, fees, exams, textbooks, and other costs that students may incur while participating in the network. *The Governor recommended total funding of \$450,000, including \$150,000 from general revenues, consistent with the revised recommendation. She subsequently requested an amendment to add \$100,000 from permanent school funds.* **The Assembly included funding consistent with the original recommendation and FY 2018 funding.**

Unified Statewide Education Plan. The Council requested \$270,000 from general revenues for a new curriculum fellowship position and to fund external partnerships that would provide coherence to the state's curriculum practices. More specifically, funding would support the Department's ongoing work to define high quality curriculum, build tools to supplement curriculum materials, and support districts' use of tools to review their curriculum and instructional practices. The Department reported that this funding would support the first year of a multiyear unified approach to statewide education. *The Governor recommended \$100,000 specifically for investments in high quality early learning curriculum. Of this, \$50,000 would be used to purchase materials and provide coaching, and \$50,000 would be used for curriculum development and tools to implement the curriculum.* **The Assembly concurred.**

Professional Learning Fellowship Program. The Council requested \$200,000 from general revenues for a new professional learning fellowship on instructional best practices. Through this initiative, small cohorts of educators will receive training and ongoing support in the implementation of instructional best practices throughout the year. The program will focus on the core subject areas of literacy, mathematics, and science. The Department reported that the program will build the skills and knowledge of the selected participants, who will then share this knowledge with colleagues. The request includes funding for teacher stipends or to reimburse local districts for substitute teacher costs, print materials, and a consultant to assist with professional development. *The Governor did not recommend funding.* **The Assembly concurred.**

Best Practices Fellowship Program. The Council requested \$550,000 from general revenues for a new fellowship program to promote best practices in literacy, mathematics, science, and social studies. The request will fund four year-long fellowships, one for each core subject area. Fellows will use their subject matter expertise to promote best practices with teachers across the state. *The Governor did not recommend funding.* **The Assembly concurred.**

PrepareRI School Counselor Fellow. The Council requested \$175,000 from general revenues to support a new fellowship program and professional learning for all public school counselors. The Department will partner with the Rhode Island School Counselor Association to provide professional development to school counselors in each school to build capacity for counselors to utilize tools developed through the PrepareRI initiative. *The Governor did not recommend funding.* **The Assembly concurred.**

English Language Learners (1.0 FTE). The Council requested \$0.2 million in new general revenue funding and authorization for 1.0 new full-time equivalent position to support English language learner education. The request includes \$0.2 million to support a new English language learner and world language leadership administrative position and \$60,000 to support the implementation of English language acquisition resources at the school level. The funds will target specific training for school personnel and support schools in the implementation of new U.S. Department of Education toolkits for teaching English learners. It will augment state funds with federal funds in order to complete the trainings.

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. The Department previously requested funding and authorization for this position for FY 2018. The Governor recommended funding the position within its existing authorization, and excluded additional funds. The Assembly concurred. *The Governor did not recommend the funding or the position.* **The Assembly concurred.**

Science Curriculum Specialist (1.0 FTE). The Council requested \$0.2 million and authorization for 1.0 full-time equivalent position to assist local education agencies with the implementation of science initiatives. This would be its second position dedicated to science curriculum. The Department reported that assistance with implementation of science initiatives will improve student performance in their science studies. *The Governor did not recommend funding or the position.* **The Assembly concurred.**

School Construction Positions (2.0 FTE). The Department requested authorization for 2.0 new full-time equivalent positions to support an anticipated increase in school construction projects. It proposed funding the positions through capital funding proceeds, but did not include any funding in its budget request. This means that the cost of the new positions would be levied on school construction projects, which are typically supported by local bonds and partially reimbursed through the school housing aid program. The Department does not currently collect funding from construction projects to support the administration of the program. It also had not drafted a procedure for collecting the funds or determined the amount to be levied on each project.

The Department's constrained budget includes savings of \$0.5 million from general revenues from shifting the costs of 3.0 full-time equivalent positions to capital fund proceeds. Funding for the positions would also be levied on school construction projects.

The Governor concurred with the constrained request and proposed shifting \$0.5 million for three currently filled positions to restricted receipts from the Rhode Island Health and Educational Building Corporation. She recommended \$0.2 million and authorization for a new director of school construction services, as well as \$48,658 for the School Building Authority's operating costs, also to be supported by the Corporation's funds. The Governor submitted legislation establishing the new restricted receipt account and exempted it from indirect cost recoveries. **The Assembly concurred but limited use of the Corporation's funds to personnel costs only.**

ServeRI Program Transfer (1.0 FTE). The Council requested \$3.5 million from federal funds reflecting the transfer of the ServeRI program from the private, non-profit Rhode Island Service Alliance to the Department in FY 2019. The request also includes authorization for 1.0 new full-time equivalent position to oversee the implementation of the program. The program was established by the 1994 Assembly to administer the federally funded AmeriCorps program, including AmeriCorps Vista and City Year. *The Governor recommended \$480 more than requested based on updated grant information and included authorization for the new position.* **The Assembly concurred.**

Organizational Development. The Council requested \$0.1 million for various organizational development initiatives within the Department's administrative function. The request includes \$30,000 for a vendor to evaluate new and expanding charter school proposals, \$10,000 to provide staff training through the Department of Administration, \$10,000 for a compensation study, and \$21,800 to improve communications and outreach. *The Governor did not recommend funding.* **The Assembly concurred.**

Nutrition Grants. The Council requested authorization to spend \$58.8 million from federal nutrition program funds. This is \$1.0 million more than the enacted level to reflect an increase in school lunch program participation as well as an increase in the federal reimbursement for meals served. *The Governor recommended funding as requested.* **The Assembly concurred.**

Special Education Grants. The Council requested authorization to spend \$49.2 million, or \$3.8 million more than enacted, from federal special education funds to reflect updated awards and carry forward of unspent funds from prior years. 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 recommended funding as requested.* **The Assembly concurred.**

Title I Grants. The Council requested authorization to spend \$54.6 million from federal Title I funds. This is \$1.0 million more than enacted and \$0.9 million more than the revised request, reflecting anticipated awards. 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 recommended \$0.3 million less than requested, reflecting updated information from the Department.* **The Assembly concurred.**

Every Student Succeeds Act Block Grant. The Council requested authorization to spend \$1.9 million from new federal Title IV Part A funds, or the Every Student Succeeds Act block grant. Most block grant funds go directly to local schools, where they are used to help schools close the achievement gap through investments in technology, to improve school conditions for student learning, and to provide all students with access to a well-rounded education. Block grant distributions are based on Title I calculations, which use four distinct formulas based upon different levels of poverty. *The Governor recommended funding as requested.* **The Assembly concurred.**

State Assessments. The Council requested authorization to spend \$4.5 million from federal grants for state assessments, which is \$0.7 million or 18.7 percent more than enacted and largely consistent with the revised request. This grant is used to support the development of the additional state assessments and standards required by federal law. The grant is also used to support the administration of those assessments or to carry out other activities related to ensuring that the state's schools and local educational agencies are held accountable for results. *The Governor recommended funding as requested.* **The Assembly concurred.**

Adult Education Grants. The Council requested \$7.6 million for adult education grants from multiple sources, \$0.1 million less than the enacted budget. The request includes \$1.9 million from general revenues, \$2.2 million from federal funds and \$3.5 million from Human Resource Investment Council funds. The Department administers adult education grants that are used to fund local adult education programs and literacy services, including workplace literacy services, family literacy services, and English literacy and civics education programs. Participation in these programs is limited to adults and high school drop outs aged 16 and older. Approximately 6,000 students participate in these programs with 25 percent of the program attendees for GED preparation services, 50 percent for English language learner services, and 25 percent for low level literacy services.

The Department's constrained request reduces expenses by \$1.4 million from general revenues from grants provided to local organizations for adult education. *The Governor recommended funding consistent with the unconstrained request.* **The Assembly concurred.**

Early Childhood/Preschool. The Council requested authorization to spend \$5.7 million from federal funds for early childhood and preschool programs, which is \$0.9 million less than enacted. The request includes \$0.1 million from an annual on-going award in addition to \$5.6 million for the last year of a multi-year award for preschools. The preschool development grant supports 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 and will support 60 preschool classrooms.

The preschool development grant is subject to a match of non-federal funds, of which early childhood categorical funds qualify as the match. For FY 2019, 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 recommended funding as requested.* **The Assembly concurred.**

Other Salaries and Benefits. The Council's request includes \$19.4 million for the Department's other 138.2 administrative positions. This is \$1.1 million more than enacted, including \$0.8 million more from general revenues to reflect current service adjustments and to restore \$0.6 million in turnover savings, which is equivalent to filling approximately 4.6 full-time equivalent positions. The Department has not indicated which positions it would like to restore with this additional funding. The request also includes \$0.5 million more from federal funding, reflecting several grant adjustments. *The Governor recommended \$0.6 million more from all sources than enacted, \$0.5 million less than requested. The recommendation includes \$0.3 million more than enacted from general revenues, including \$0.1 million for statewide benefit adjustments and \$0.2 million to restore turnover savings in the enacted budget. She also included \$0.1 million to partially fund a position in the Office of the Governor.* **The Assembly did not concur with the allocated personnel expenditures for the Governor's Office and eliminated 6.0 vacant positions, which represents approximately one-quarter of the Department's vacancies as of May 2018. It also included funding for cost-of-living adjustments.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$115,905 from general revenues for the Department's share of centralized information technology services.* **The Assembly concurred.**

Other Grants and Programming. The Council requested \$31.9 million from all funds for all other grants and programming, including \$4.1 million from general revenues. This includes \$90,000 from general revenues to support the hospital school at Hasbro Children's Hospital and \$245,000 from general revenues to support child opportunity zones, consistent with the enacted budget. Changes from the enacted budget include adjustments in federal and restricted receipt expenditures producing a total decrease of \$0.5 million, including general revenue expenses consistent with the enacted budget. Federal fund changes reflect actual grant awards and the end of several grants. *The Governor recommended funding as requested.* **The Assembly concurred and added \$100,000 from general revenues to support child opportunity zones.**

Met School Capital. Consistent with its capital request, the Council requested \$0.3 million from Rhode Island Capital Plan funds for asset protection projects at the Metropolitan Career and Technical School. This is \$2.2 million less than enacted reflecting the completion of the HVAC project in FY 2018. *The Governor recommended funding as requested.* **The Assembly concurred. A detailed description of these projects is included in the Capital Budget section of this publication.**

Davies Career and Technical School

Funding Formula. The Council requested \$18.6 million from all sources, including \$13.4 million from general revenues to fund Davies Career and Technical School for FY 2019, the eighth year of the funding formula. This is \$0.1 million more than enacted, including \$0.1 million more from restricted receipts and \$32,761 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 just as any other local education agency would. Using enrollments of 817 and free and reduced-price lunch students of 538, total formula aid is projected to be \$9.4 million or approximately \$0.8 million less than FY 2018 enacted aid. This decrease will

be transitioned over two years, the remainder of the ten-year transition plan. The decrease in formula aid is offset by a like increase in stabilization funding. The 2016 Assembly enacted a stabilization fund for state schools in order to mitigate some of the losses in funding from the implementation of the funding formula, which provided \$3.2 million in additional funding for Davies in FY 2018.

*The Governor recommended \$7,238 more than requested from all fund sources, including \$28,500 less from general revenues from the School's share of the funding formula. The reduction to general revenues reflects ongoing savings from the voluntary retirement incentive program from FY 2018. However, as Davies is funded pursuant to the funding formula, this should not be changed. **The Assembly fully funded the School's share of the education funding formula and provided \$0.3 million more in stabilization funding to reflect cost-of-living adjustments offset by voluntary retirement savings.***

Capital. The Council's request includes \$2.1 million from Rhode Island Capital Plan funds for capital projects at Davies Career and Technical School. This is \$2.7 million less than enacted, reflecting the completion of renovations to shop spaces for the advanced manufacturing and biomanufacturing programs in FY 2018. *The Governor recommended funding as requested. **The Assembly shifted \$3.3 million for the advanced manufacturing project from FY 2018 to FY 2019 and shifted funding among years for the HVAC project. A detailed description of these projects is included in the Capital Budget section of this publication.***

Rhode Island School for the Deaf

Salaries and Benefits. The request contains \$6.7 million in salary and benefit expenditures for 60.0 full-time equivalent positions at the School for the Deaf, which is \$0.5 million more than enacted. This includes \$0.1 million for salary expenses, equivalent to 1.3 full-time equivalent positions, consistent with its revised request. The request appears to overstate medical benefit costs by \$0.2 million. *The Governor recommended \$0.4 million less than requested, consistent with Budget Office current service estimates adjusted for statewide benefit rate adjustments. **The Assembly concurred and included funding for cost-of living adjustments.***

Other Operations. The Council requested \$1.1 million for all other operating expenditures for the School for the Deaf, including \$0.6 million from general revenues. This is \$43,059 less than enacted, primarily from general revenues, and includes \$0.5 million for specialized care contracted services including speech pathologists, behavior specialists, and personal care attendants, which is approximately \$14,867 more than enacted to reflect anticipated expenditures. The increase in specialist contracts is offset by a \$22,000 decrease for legal services, reflecting actual FY 2017 expenditures. The request reduces operating expenses by \$33,976, primarily from general and office supplies. *The Governor recommended \$0.4 million more than enacted, primarily reflecting a new federal grant award for school innovation.*

*The Governor's budget includes legislation allowing the Commissioner of Elementary and Secondary Education to promulgate rules regarding the entrance of non-deaf and non-hard-of-hearing students into the School. It would have established that the education of non-deaf students at the School be funded pursuant to the funding formula. The state share is that of the sending district for each student and the local contribution is the local per pupil cost of each sending district, which must be paid to the School. It should be noted that the budget does not assume any funding associated with the entrance of non-deaf students. **The Assembly provided funding as recommended but excluded the proposed legislation.***

Capital. The Council requested \$0.1 million from Rhode Island Capital Plan funds for new asset protection projects at the School for the Deaf. This is consistent with the capital request. *The Governor recommended \$50,000 for asset protection projects. **The Assembly concurred. A detailed description of this project is included in the Capital Budget section of this publication.***

Public Higher Education

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Office of Postsecondary Comm.	\$ 42,450,013	\$ 41,420,051	\$ 41,852,901	\$ 39,298,624
University of Rhode Island	777,295,493	779,061,424	792,807,244	802,780,487
Rhode Island College	199,083,600	200,873,398	199,722,892	199,862,700
Community College of RI	161,269,902	161,286,510	164,893,586	165,632,706
Total	\$ 1,180,099,008	\$ 1,182,641,383	\$ 1,199,276,623	\$ 1,207,574,517
Expenditures by Category				
Salaries and Benefits	\$ 518,569,075	\$ 512,151,748	\$ 527,982,499	\$ 527,360,343
Contracted Services	28,338,070	30,225,534	28,772,807	28,272,807
Subtotal	\$ 546,907,145	\$ 542,377,282	\$ 556,755,306	\$ 555,633,150
Other State Operations	220,325,292	213,381,763	217,035,019	218,480,069
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	314,801,720	318,885,844	324,420,781	324,095,781
Capital	40,215,979	50,658,087	42,624,985	50,924,985
Capital Debt Service	57,598,872	57,338,407	58,440,532	58,440,532
Operating Transfers	250,000	-	-	-
Total	\$ 1,180,099,008	\$ 1,182,641,383	\$ 1,199,276,623	\$ 1,207,574,517
Sources of Funds				
General Revenue	\$ 220,882,593	\$ 220,931,063	\$ 228,029,183	\$ 230,093,700
Federal Aid	13,933,669	14,147,405	9,784,007	7,924,589
Restricted Receipts	2,173,990	2,666,842	2,886,814	2,679,609
Other	943,108,756	944,896,073	958,576,619	966,876,619
Total	\$ 1,180,099,008	\$ 1,182,641,383	\$ 1,199,276,623	\$ 1,207,574,517
Uses of Funds				
Unrestricted Use Funds	\$ 720,359,090	\$ 709,295,827	\$ 730,844,925	\$ 732,909,442
Restricted Use Funds	459,739,918	473,345,556	468,431,698	474,665,075
Total	\$ 1,180,099,008	\$ 1,182,641,383	\$ 1,199,276,623	\$ 1,207,574,517
FTE Authorization	3,567.0	3,568.0	3,610.5	3,605.5
<i>Limited to Third Party Funds</i>	739.8	739.8	788.8	788.8
Total Authorized Positions	4,306.8	4,307.8	4,399.3	4,394.3

Summary. The Council on Postsecondary Education requested \$1,227.6 million from all sources, including \$231.8 million from general revenues. This is \$47.5 million more from all sources than enacted, including \$10.9 million more in general revenue support, \$6.1 million more from other unrestricted sources and \$41.4 million more from restricted sources. The request includes \$726.5 million from unrestricted use funds and \$501.1 million from restricted use funds. The unrestricted request represents 3.2 percent growth over FY 2018 revised expenditure projections; the restricted request represents 6.0 percent growth.

The Governor recommended \$1,199.3 million from all sources, which is \$19.2 million more than enacted and \$28.3 million less than requested. She recommended \$228.0 million from general revenues, which is \$7.1 million more than enacted and \$3.7 million less than requested. Excluding debt service, the general revenue increase is \$5.2 million more than enacted, of which \$3.6 million is for the second year of the Rhode Island Promise Scholarship.

The Assembly provided \$8.3 million more than recommended including \$2.1 million more from general revenues. It added \$2.0 million from general revenues for operating support for the University and \$0.6 million for cost-of-living increases for state employees. It added \$30,000 for Best Buddies and reduced funding for the Promise Program by \$0.4 million based on updated enrollment assumptions.

The Assembly also included general revenue turnover savings of \$150,000 for the Office of Postsecondary Commissioner and removed \$0.1 million for a Governor’s Office position partially being charged to the Office. It removed \$0.2 million from restricted receipts and 2.0 new unidentified positions for the Office. The Assembly enacted legislation limiting the Office’s use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and removed \$1.9 million from federal funds to comply with this limit. It also added \$8.3 million from Rhode Island Capital Plan funds and concurred with the remainder of the recommendation.

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 \$204.9 million. The amount includes current service adjustments of \$2.7 million and a 10.0 percent target reduction, adjusted for certain exclusions, of \$18.7 million.

The constrained budget submitted by the agency is \$8.2 million above the target. The proposals to achieve the reductions are noted among the items described in each institution’s section where appropriate. *The Governor’s budget is \$23.1 million above target. The enacted budget is \$25.2 million above the target.*

FY 2019 Budget	Budget Office	Higher Education	Difference
FY 2018 Enacted	\$ 220,882,593	\$ 220,882,593	\$ -
Current Service Adjustments	2,728,169	8,395,264	5,667,095
New Initiatives	-	2,488,246	2,488,246
Change to FY 2018 Enacted	\$ 2,728,169	\$ 10,883,510	\$ 8,155,341
FY 2019 Current Service/Unconstrained Request	\$ 223,610,762	\$ 231,766,103	\$ 8,155,341
Target Reduction/Initiatives	(18,683,081)	(18,683,081)	-
FY 2019 Constrained Target/Request	\$ 204,927,681	\$ 213,083,022	\$ 8,155,341
<i>Change to FY 2018 Enacted</i>	\$ (15,954,912)	\$ (7,799,571)	\$ 8,155,341

Full-Time Equivalent Positions. The FY 2019 request includes authority for 4,374.3 full-time equivalent positions, provided that 788.8 of those positions would be limited to third-party sources. This is 67.5 more than the enacted level of which 49.0 of the new positions would be limited to third-party funds. The total increase includes 65.5 more positions at the University and 2.0 positions in the Office of Postsecondary Commissioner for the Westerly Higher Education and Job Skills Center. 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 recommended staffing of 4,399.3 full-time equivalent positions, 92.5 more than enacted. This includes 2.0 new business manager positions for the Westerly Higher Education and Job Skills Center, 1.0 of which is also added for FY 2018, a reduction of 3.0 Division of Higher Education Assistance positions

based on an expected transfer of guaranty agency operations to an outside agency, and an increase of 2.0 unidentified positions for the Commissioner's Office to be supported by grants.

The staffing authorization for the University increases by 68.5 full-time equivalent positions including 10.0 tenure-track faculty positions, 1.0 for a new office for innovation, 1.0 for a new office for undergraduate research and innovation, 1.0 new assistant director for veterans' affairs, 1.0 new psychologist, and 2.5 for the athletics department. The recommendation also includes 3.0 new lecturer positions, which are contracted and not employees of the University. The Governor recommended an additional 49.0 positions that would be limited to funding from third-party sources. This includes 12.0 for DataSpark, a former data analytics group that joined the University in February 2017, 12.0 related to a new five-year National Science Foundation grant, and 25.0 related to a health system transformation project with the Executive Office of Health and Human Services.

The Governor also recommended 23.0 new unidentified positions for the College to provide flexibility and capacity as part of the College's efforts to expand the use of full-time faculty and rely less on part-time adjunct faculty.

As of the pay period ending January 20, the system had 4,081.1 filled positions. This includes 52.4 vacancies in third-party funded positions and 173.3 vacancies for all other.

The Assembly excluded the increase related to the 3.0 new lecturer positions for the University as those are contracted services and did not authorize the 2.0 new unidentified positions for the Office of the Postsecondary Commissioner; it concurred with the remainder of the recommendation.

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 recommended \$8.9 million more than enacted from all sources, including \$0.1 million less from general revenues and \$2.6 million more than requested. General revenue changes to the request include \$3.7 million more to correctly reflect debt service and \$0.2 million more for the Rhode Island Promise Scholarship program based on fall 2017 enrollments. It also includes \$1.4 million in savings related to statewide undistributed savings described below. **The Assembly reduced salary and benefit expenditures for the Office of Postsecondary Commissioner by \$150,000 based on anticipated payroll costs, added \$0.3 million from general revenues for cost-of-living increases for state employees, reduced Rhode Island Capital Plan funds by \$6.6 million based on revised project schedules for two projects, and concurred with the remainder of the recommendation.***

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues*

and reductions that amount to the \$25.0 million. For Public Higher Education, the revised budget identifies \$1.4 million from several items. The FY 2019 budget includes savings of \$1.1 million from some of these items. These include \$0.7 million in a reduction to information technology support to the institutions, \$0.3 million in reduced state support to the University and \$0.1 million from reducing state support for Shepard Building parking. **The Assembly concurred.**

Higher Education Funding. Expenditures in Public Higher Education increased 51.0 percent during the period FY 2008 through FY 2018, which is an annual rate of 5.1 percent. Public Higher Education would grow 57.1 percent if the Council's FY 2019 request were funded, which is an annual rate of 5.2 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 53.5 percent growth during the FY 2008 through FY 2019 period, which is an annual rate of 4.9 percent.* **The enacted budget represents 65.7 percent growth, which is an annual rate of 6.0 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, a portion of research 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, utilities, and so forth. The unrestricted budget is similar to the general revenue budget of other agencies and departments. The Council's unrestricted budget includes \$726.5 million, of which \$231.8 million is from general revenues. The general revenue portion is \$10.9 million more than the FY 2018 enacted budget; other unrestricted sources increase \$36.6 million.

At its October 25, 2017 meeting, the Finance Committee directed each of the institutions to revise their original budget submissions to specific targets so that the general revenue increase for FY 2019 would total \$9.0 million across the three institutions. The budget approved by the Council at its November 8 meeting included \$4.8 million less from general revenues than originally requested by the institutions including \$3.9 million less for the University, \$1.3 million less for the Community College and \$0.4 million more for the College.

The Governor recommended \$730.8 million from unrestricted sources, which is \$10.5 million more than enacted and \$4.4 million more than requested. General revenues are \$7.1 million more than enacted and \$3.4 million less than requested. Excluding debt service, the general revenue increase is \$5.2 million, of which \$3.6 million is for the second year of the Rhode Island Promise Scholarship program.

The Assembly provided \$2.1 million more than recommended from general revenues. It added \$2.0 million for operating support for the University and \$0.6 million for cost-of-living increases for state employees. It added \$30,000 for Best Buddies and reduced funding for the Promise Program by \$0.4 million based on updated enrollment assumptions. It also included additional turnover savings of \$150,000 for the Office of Postsecondary Commissioner and removed \$0.1 million for a Governor's Office position partially being charged to the Office.

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 requested restricted budgets of \$501.1 million for FY 2019. This is an increase of \$41.4 million or 9.0 percent to the enacted FY 2018 level. Compared to the revised allocation, the request is \$28.4 million more. *The Governor recommended \$468.4 million from restricted sources, which is \$8.7 million more than enacted and \$32.7 million less than requested, primarily to reflect adjustments to spending from Rhode Island Capital Plan funds.*

The Assembly removed \$0.2 million from restricted receipts and 2.0 new unidentified positions for the Office. It enacted legislation to limit the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and removed \$1.9 million from these sources to comply with the limit. It also added \$8.3 million from Rhode Island Capital Plan funds and concurred with the remainder of the recommendation.

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$0.6 million from general revenues for FY 2019.**

Salaries and Benefits. The Council requested \$528.1 million for salary and benefit expenditures, of which \$422.2 million is from unrestricted sources and \$105.9 million is from restricted sources. The request represents a \$4.1 million or 1.0 percent increase from the FY 2018 enacted level in unrestricted funding, and a \$5.4 million or 5.3 percent increase in restricted funding. Compared to the institutions' FY 2018 revised projections, the unrestricted increase is \$12.3 million or 3.0 percent more and restricted funding increases by \$3.6 million or 3.5 percent. The Council's request includes benefit adjustments consistent with Budget Office planning values, funding for 16.5 new unrestricted positions at the University, 2.0 restricted positions in the Office of Postsecondary Commission for the Westerly Higher Education and Jobs Skills Center, and 49.0 new positions at the University funded from third-party funds, as well as additional funding set aside pending contract negotiations. *The Governor recommended \$84,608 less than requested and the new position authorizations requested and added authorization for 3.0 new positions not requested by the University. As of the pay period ending January 20, the system had 4,081.1 filled positions.*

The Assembly provided \$0.9 million less than recommended. It did not add the 3.0 new lecturer positions for the University that were not requested nor the 2.0 new positions for the Office to be funded from unidentified sources. It included general revenue turnover savings of \$150,000 in the Office of Postsecondary Education and removed \$0.1 million in general revenue funding for a position in the Governor's Office partially being charged to the Office. It did include \$0.6 million for cost-of-living adjustments. The Assembly also provided \$0.8 million less than recommended from federal funds based on its limit on the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of such funds appropriated for scholarships and grants.

Contracted Services. The Council requested \$32.8 million for contracted services for FY 2019, of which \$17.8 million is from unrestricted sources and \$15.0 million is from restricted sources. This is \$4.5 million more than the enacted budget and \$2.3 million more than the FY 2018 revised allocation. Compared to the revised allocation, unrestricted sources increase \$2.1 million or 13.0 percent and restricted sources increase \$0.3 million or 2.0 percent. *The Governor recommended \$0.4 million more than enacted and \$4.0 million less than requested primarily to reflect the transfer of guaranty agency operations to a non-governmental successor agency by the end of FY 2018.* **The Assembly provided \$0.5 million less than recommended based on its limit on the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of such funds appropriated for scholarships and grants.**

Operating Expenses. The Council requested \$214.7 million for operating expenditures for FY 2019, of which \$104.1 million is from unrestricted sources and \$110.7 million is from restricted sources. This is \$5.6 million less than the FY 2018 enacted budget. Compared to the institutions' FY 2018 revised projections, the unrestricted increase is \$2.9 million or 2.9 percent and the restricted budget increases by \$0.3 million or 0.3 percent. *The Governor recommended \$3.3 million less than enacted and \$2.3 million more than requested primarily to reflect operating costs for the Nursing Education Center in the budget of the Office of Postsecondary Commissioner that were removed in the request.* **The Assembly provided \$2.0 million more from general revenues for operating support for the University. It also provided \$0.6 million less from federal funds based on the limit on the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of such funds appropriated for scholarships and grants.**

Grants and Scholarships. The Council requested \$326.5 million for total grants and scholarships expenditures for FY 2019, an increase of \$11.7 million or 3.7 percent to the enacted FY 2018 budget and \$9.1 million or 2.9 percent to the revised allocation. The unrestricted budget accounts for \$138.4 million, an increase of \$4.1 million or 3.1 percent to the revised allocation. The restricted budget includes \$188.1 million, a 2.7 percent increase of \$5.0 million to the revised allocation.

The FY 2019 budget includes \$6.4 million for the second year of funding for the Rhode Island Promise Scholarship program at the Community College. The 2017 Assembly established a new Rhode Island Promise Scholarship program to provide two years of free tuition and mandatory fees at the Community College of Rhode Island for qualifying Rhode Island students. The program is intended to be a "last dollar scholarship," meaning that after a student exhausts all other sources of student aid the program covers the remainder of their tuition bill. Other non-mandatory fees are not covered by this program. Recipients are required to maintain a 2.5 grade point average and must commit to remaining in Rhode Island after graduation. The program is being implemented for four cohorts of students beginning in FY 2018 with the last cohort entering in the fall of 2020.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 29.6 percent of the tuition and mandatory fees based on the Council's current service budget. Revised FY 2018 estimates are for 29.5 percent. In FY 2017, that share was 29.3 percent. External student aid also includes the Ford Direct Student Loan and Parent Loan programs at the University. The University requested \$98.0 million related to the Ford Loans for FY 2019. *The Governor recommended \$2.0 million less than requested for the dual and concurrent enrollment program and the remaining as requested.* **The Assembly added \$30,000 for the Best Buddies Program and reduced funding for the Rhode Island Promise program by \$0.4 million to reflect updated enrollment projections based on the experience of the first cohort.**

Capital. The Council requested \$71.4 million in total expenditures for capital outlays and improvements for FY 2019. The request includes \$56.6 million from Rhode Island Capital Plan funds of which \$19.6 million is for asset protection. *The Governor recommended \$2.4 million more than enacted and \$28.7 million less than requested.* **The Assembly added \$8.3 million from Rhode Island Capital Plan funds. Capital projects are described in detail in the Capital Budget section of this publication.**

Debt Service. The Council requested \$54.2 million for total debt service expenses for FY 2019. Of this total, \$36.7 million is unrestricted and is \$0.4 million more than the revised allocation and \$2.5 million less than enacted, although \$2.3 million of this relates to general obligation bond debt service that should not have been reduced. General revenues are used to support general obligation bond debt service. *The Governor recommended \$0.8 million more than enacted and \$4.3 million more than requested.* **The Assembly concurred.**

Enrollment. FY 2019 enrollment, based on revised estimates, would be 30,615 full-time equivalent students, which is 2.4 percent less than the enacted FY 2018 level and 356 or 1.2 percent more than the revised estimates. Compared to FY 2018 revised estimates, the Council's FY 2019 estimates are 0.1 percent or 22 more at the University and include 11 more in-state and 11 more out-of-state students. The College projected FY 2019 enrollment of 6,859, which is 113 or 1.7 percent more than the enrollment assumptions in the revised budget. The Community College projected a 2.5 percent increase or 221 more students compared to enrollment assumptions in the revised budget. *The Governor's recommendation appears to reflect the Council's enrollment projections.* **The Assembly concurred.**

Tuition and Fees. The Council's FY 2019 request includes \$446.6 million from tuition and fees. This represents a \$1.7 million or 0.4 percent increase in revenues over the FY 2018 enacted level, and is \$8.2 million or 1.9 percent more than the revised allocation. The Council on Postsecondary Education approved tuition rates for FY 2019 at its November 2017 meeting. These include no undergraduate in-state tuition or fee increases at any of the institutions; the College had originally requested mandatory fee increases of \$121. The University had originally requested mandatory fee increase of \$62, of which \$18 related to auxiliary units that must be self-supporting per state law.

The three institutions indicated that tuition rate increases would be required 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 2017 meeting, in keeping with prior practice, 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 no in-state tuition or mandatory fee increases consistent with those approved by the Council. Those rates assumed \$9.0 million in new unrestricted state support; the Governor's budget provides the institutions with \$2.8 million of that. The Governor's budget includes \$8.1 million more than requested from tuition and fees or other unrestricted sources suggesting that the schools will generate more revenue than current projections, or constrain spending from the request in order not to exceed available resources.

The Budget assumes in-state tuition increases of \$246 or 2.0 percent and a technology fee increase of \$100 for the University, an in-state tuition increase of \$153 or 2.0 percent for the College, and no in-state tuition or mandatory fee increases for the Community College based on Council approved rates at its March 2018 meeting.

Office of Postsecondary Commissioner

Office of Postsecondary Commissioner	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 4,754,732	\$ 4,090,322	\$ 5,129,354	\$ 3,955,027
Contracted Services	4,900,000	5,221,713	1,961,001	1,461,001
Subtotal	\$ 9,654,732	\$ 9,312,035	\$ 7,090,355	\$ 5,416,028
Other State Operating	8,200,290	5,886,547	5,400,784	4,845,834
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	18,134,287	20,099,565	22,034,287	21,709,287
Capital	4,810,704	4,954,543	6,156,975	6,156,975
Capital Debt Service	1,400,000	1,167,361	1,170,500	1,170,500
Operating Transfers	250,000	-	-	-
Total	\$ 42,450,013	\$ 41,420,051	\$ 41,852,901	\$ 39,298,624
Sources of Funds				
General Revenue	\$ 14,578,459	\$ 13,948,598	\$ 16,776,572	\$ 16,288,918
Tuition and Fees	5,052,544	2,507,126	3,204,732	3,204,732
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ 19,631,003	\$ 16,455,724	\$ 19,981,304	\$ 19,493,650
Restricted	22,819,010	24,964,327	21,871,597	19,804,974
All Sources	\$ 42,450,013	\$ 41,420,051	\$ 41,852,901	\$ 39,298,624
FTE Authorizations				
	36.0	37.0	37.0	35.0
<i>Third-Party Funded Positions</i>	1.0	1.0	1.0	1.0
Total Positions	37.0	38.0	38.0	36.0

Summary. The Council requested \$45.1 million from all sources and 39.0 full-time equivalent positions for the Office of Postsecondary Commissioner and the Division of Higher Education Assistance for FY 2019, including \$18.6 million from general revenues, \$13.4 million from federal funds, \$11.1 million from tuition savings fees, and \$2.0 million from restricted receipts. This is \$6.6 million more than enacted, including \$4.0 million more from general revenues. The staffing request reflects 2.0 new positions for the Westerly Higher Education and Job Skills Center based on an increased demand for programs.

The Governor recommended \$41.9 million, which is \$0.6 million less than enacted and \$3.2 million less than requested. The recommendation includes \$16.8 million from general revenues, which is \$2.2 million more than enacted and \$1.8 million less than requested. She recommended 38.0 full-time equivalent positions. This includes 2.0 new business manager positions for the Westerly Higher Education and Job Skills Center, 1.0 of which is added for FY 2018, a reduction of 3.0 Division of Higher Education Assistance positions based on an expected transfer of guaranty agency operations to an outside agency, and an increase of 2.0 unidentified positions for the Commissioner's Office to be supported by grants.

The Assembly added \$30,000 for Best Buddies and reduced funding for the Promise Program by \$0.4 million based on updated enrollment assumptions. It included general revenue turnover savings of \$150,000, added \$45,880 for cost-of-living adjustments for state employees, and removed \$0.1 million for a Governor's Office position partially being charged to the Office. It removed \$0.2 million from restricted receipts and 2.0 new unidentified positions for the Office. The Assembly also enacted legislation to limit the Office's use of guaranty agency funds for personnel and operating costs in FY

2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and removed \$1.9 million from federal funds to comply with this limit.

Unrestricted Budget. The unrestricted budget includes \$18.6 million from general revenues, which is \$4.0 million more than enacted and \$4.4 million more than the revised request. This reflects an additional \$3.6 million for the second year of funding for the Rhode Island Promise Scholarship. It also includes \$0.5 million in new initiatives in the Office to help it achieve its goal that 70 percent of Rhode Islanders will have a postsecondary degree or certificate by 2025.

The Governor recommended \$20.0 million in unrestricted expenditures, which is \$0.4 million more than enacted and \$0.2 million more than requested. The recommendation includes \$16.8 million from general revenues, which is \$2.2 million more than enacted and \$1.8 million less than requested.

The Assembly added \$30,000 for Best Buddies and reduced funding for the Promise Program by \$0.4 million based on updated enrollment assumptions. It included general revenue turnover savings of \$150,000, added \$45,880 for cost-of-living adjustments for state employees, and removed \$0.1 million for a Governor's Office position partially being charged to the Office.

Staffing. The Office requested authorization of 39.0 full-time equivalent positions, 2.0 more than the authorized level. These 2.0 new positions are for the Westerly Higher Education and Jobs Skills Center, which is a self-supporting entity. The Office requested 2.0 new business manager positions for FY 2019. The revised request includes 1.0 of those new positions. The position being added in the revised budget is a new business manager who will be responsible for manning the front desk, disbursements, purchasing and provide assistance as needed to the executive director and the marketing director. The business manager position being requested for FY 2019 will be responsible for contracts, room scheduling, and business development with industry partners and institutions.

The Governor recommended authorization for 38.0 full-time equivalent positions. The recommendation includes the requested positions for the Westerly Center, 1.0 of which is added for FY 2018, a reduction of 3.0 Division of Higher Education Assistance positions based on an expected transfer of guaranty agency operations to an outside agency, and an increase of 2.0 unidentified positions for the Commissioner's Office to be supported by grants or other sources.

The Assembly did not authorize the 2.0 new unidentified positions recommended for the Commissioner's Office but concurred with the remainder of the recommendation.

Office of Postsecondary Commissioner Changes to Enacted			
	Request	Governor	Assembly
Current Year Revisions	\$ (4,907,182)	\$ (3,042,165)	\$ (3,175,279)
Rhode Island Promise	3,600,000	3,368,914	3,013,914
Information Technology Support	-	(500,000)	(500,000)
Centralized Services	-	84	84
Equity Incentive Fund	150,000	-	-
Accelerating Attainment Fund	150,000	-	-
Attainment Research & Evaluation Fund	150,000	-	-
Student Contingency Fund	50,000	-	-
Nursing Education Center Operations	621,776	697,606	697,606
Nursing Education Center Lease	858,060	689,495	689,495
Nursing Education Center Debt Service	2,639	3,139	3,139
Westerly Center Lease	(1,250,000)	(1,250,000)	(1,250,000)
Salaries and Benefits	327,302	380,923	218,269
Shepard Building	(57,175)	(57,175)	(57,175)
College Crusade Support	-	-	-
On-Line Text Books	115,000	115,000	115,000
Other Office Operations	151,685	151,685	151,685
Best Buddies	-	-	30,000
Capital Projects	150,000	-	-
Total	\$ 112,105	\$ 557,506	\$ (63,262)

Current Year Revisions. The revised budget includes \$4.9 million less than the enacted budget. This includes \$57,175 less for Shepard parking expenses. The Budget Office notified the University that funding for Shepard parking was going to be reduced, which would shift the expense to the University. The Budget Office suggested that one way the University could make up the additional cost was to begin charging students attending the Providence Campus a per semester fee of \$115 for those that choose to park in the Convention Center and that 90 percent of current full-time students and 75 percent of part-time students will elect to obtain permits. This proposal has come from the administration as part of the effort to achieve \$25.0 million in undistributed savings included in the FY 2018 enacted budget.

The request also removes \$4.9 million in expenses for the Nursing Education Center as these expenditures appear in the budgets of the University of Rhode Island and Rhode Island College and showing them in the Office's budget as well double counts them. The request retains \$0.5 million for staffing costs associated with the Center's 10.0 full-time equivalent positions which are part of the Office's total authorized positions.

The Governor recommended \$0.1 million less than requested from general revenues. This includes \$0.2 million more for the Rhode Island Promise Scholarship program based on fall 2017 enrollments and \$10,892 more in centralized information technology services transferred from the Department of Administration. As part of the effort to achieve \$25.0 million in undistributed statewide savings, the Governor included \$0.2 million in turnover savings and \$0.2 million less for information technology support to the institutions. The revised budget also allocates the remaining \$0.5 million of enacted information technology support to the Community College to use for outreach and student service activities related to the Rhode Island Promise Scholarship program.

The Assembly included an additional \$150,000 of general revenue turnover savings based on spending through the third quarter and projected spending through the end of the year, added \$16,886 for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.

Rhode Island Promise. The 2017 Assembly established a new Rhode Island Promise Scholarship program to provide two years of free tuition and mandatory fees at the Community College of Rhode Island for qualifying Rhode Island students. The 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. Other non-mandatory fees are not covered by this program. Recipients are required to maintain a 2.5 grade point average and must commit to remaining in Rhode Island after graduation. The program is being implemented for four cohorts of students beginning in FY 2018 with the last cohort entering in the fall of 2020. The legislation requires a program evaluation be conducted on or before July 1, 2020, after the second cohort finishes. The enacted budget includes \$2.8 million for FY 2018. The assumed FY 2019 impact would be \$5.9 million. The Council’s request for \$6.4 million is \$3.6 million more than the revised allocation and \$0.5 million more than assumed for FY 2019 at the time of the FY 2018 enactment. This largely reflects higher participation than assumed in the enacted budget. The enacted budget does not contemplate attrition through the year and assumes a 20 percent increase in enrollment; the Community College reports a 43 percent increase of first-time, full-time students. *The Governor recommended \$6.4 million as requested.*

Based on the enrollment and attrition experience of the first cohort of students in FY 2018, the Assembly reduced FY 2019 funding by \$0.4 million. This assumes that the cohort enrolling in the fall of 2018 is 25.0 percent larger than the cohort that enrolled in the fall of 2017. It also assumes that attrition between the fall and spring semester for the second cohort mirrors the experience of the first cohort with 16 percent attrition, and that 46 percent of all first-time, full-time students that enroll as part of the second cohort have their tuition fully supported by the Promise Program, which also is the experience of the first cohort.

Dual Enrollment Program. The request includes \$3.8 million from tuition savings fees for the Dual Enrollment program, which is \$2.5 million more than the enacted budget. This program is in its fourth year and allows students to take courses on either a higher education institution’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.

Because of overspending in FY 2016, projected overspending in FY 2017 and no plan to limit enrollments, the 2017 Assembly included legislation requiring state payments be limited to the amount of the appropriation, and that by September 30, 2017, the Council on Postsecondary Education promulgate rules and regulations enforcing this limitation.

The Office worked with the institutions during the fall of 2017 to develop an alternative method for calculating the cost of the program. At the February 2018 Board of Education meeting, the Board will be asked to vote to send new rules and regulations out for public comment. One change will be in the way reimbursements are determined, moving from reimbursing on a cost per-credit basis, to reimbursing the lesser of the cost per credit amount or a cost per course that accounts for the direct cost of personnel and materials and a small indirect cost for administrative functions such as the bursars office. The new regulations will also require that beginning in FY 2019, local school districts will split the cost of administering the program for those students that are enrolled in the Community College full-time. Students will no longer be able to enroll full-time at the other institutions. *The Governor recommended \$1.8 million from tuition savings fees, which is \$0.5 million more than enacted and \$2.0 million less than requested. The Assembly concurred.*

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 or \$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 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 institution. 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 recommended funding as requested.* **The Assembly concurred.**

Information Technology Support. The unrestricted budget includes \$0.7 million in the Office of Postsecondary Commissioner's budget that is distributed to the institutions to use for upgrades and updates to their information technology systems. As part of the effort to achieve \$25.0 million in undistributed savings, the Governor recommends reducing funding by \$0.2 million in FY 2018; the Community College will be allocated the remaining \$0.5 million to use for outreach and student service activities related to the Rhode Island Promise Scholarship program. *The FY 2019 recommended budget removes the entire \$0.7 million.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$10,976 from general revenues for centralized information technology services, which is \$84 more than the FY 2018 amount.* **The Assembly concurred.**

Equity Incentive Fund. The unrestricted budget request includes new general revenue funding of \$150,000 to establish a fund to hire a consultant to advise the Office on how to close the higher education equity gap in Rhode Island. The Office reported that it is well documented that postsecondary outcomes for underrepresented students are far below those of their peers. The consultant would ensure that any new initiative or policy proposals would be aligned with best practices. *The Governor did not recommend funding.* **The Assembly concurred.**

Accelerating Attainment Fund. The unrestricted budget request includes new general revenue funding of \$150,000 to establish a fund to support credential completion for working adults, veterans, and others with prior education or career experience. Funding would be used to develop and implement a system for prior learning assessment, which will recognize professional and military experience for academic credit. The funds will also be used to defray the costs associated with establishing assessments such as the College-Level Examination Program, Defense Activity for Non-Traditional Education Support, Advanced Placement, and portfolio assessments. *The Governor did not recommend funding.* **The Assembly concurred.**

Attainment Research and Evaluation Fund. The unrestricted budget request includes new general revenue funding of \$150,000 to establish a fund to hire “experts” within Rhode Island to conduct research on improving the overall educational attainment of Rhode Islanders. The Office would contract with researchers within the state’s public higher education system to detail national best practices, connect the Office to existing successful models and make recommendations for policy changes. *The Governor did not recommend funding.* **The Assembly concurred.**

Student Contingency Fund. The unrestricted budget request includes new general revenue funding of \$50,000 to establish a student contingency fund. Funding would be used to assist students currently in the postsecondary education system in the event of unanticipated financial expenses such as a car accident or unanticipated medical bills. The contingency fund would provide one-time grant funds to support students in continuing their education. Funds would be given to the institutions that would determine how to distribute funding to prevent drop-outs. *The Governor did not recommend funding.* **The Assembly concurred.**

Nursing Education Center Operations. The enacted budgets of both the University and College include a total of \$5.1 million for staffing and operations of the new Nursing Education Center, including \$2.6 million for the University and \$2.4 million for the College. Based on a recommendation of the Governor, the enacted budget also includes \$5.1 million in the Office’s budget. This double counts these expenditures, similar to operating transfers in other budgets. The Office’s revised request removes all funding for the Center from the Office’s budget. The FY 2019 request only includes \$1.2 million, which is \$0.6 million more than enacted for the Center’s 10.0 full-time equivalent positions which are part of the Office’s total authorized positions. *The Governor recommended \$75,830 more than the revised allocation to reflect a full year of operations.* **The Assembly concurred.**

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 was originally planned for November 2016. The Center opened for classes in the fall of 2017. The request includes \$4.3 million including \$1.9 million for base lease costs and \$2.5 million for the tenant improvement part of the lease. This is \$0.9 million more than enacted to reflect a full year of occupancy. No lease expenses are due until the building is occupied, and FY 2019 will be the first full fiscal year of occupancy. *The Governor recommended \$0.2 million less than requested based on the final rent amortization schedule.* **The Assembly concurred.**

Nursing Education Center 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 request includes \$1.2 million, which is essentially consistent with the revised allocation. *The Governor recommended funding essentially as requested.* **The Assembly concurred.**

Westerly Higher Education and Job Skills Center Operations (2.0 FTE). The Office requested \$2.0 million from restricted receipts and authorization for 2.0 new full-time equivalent positions for a total of 5.0 positions to staff and operate the Westerly Higher Education and Job Skills Center. The Center is financially self-sustaining, with operating and personnel costs supported by program fees and revenues from leasing the space. This is \$0.5 million more than enacted and \$0.1 million more than the revised request. The request includes \$0.2 million and authorization for 2.0 new business manager positions. The revised request includes 1.0 of these new positions. The position being added in the revised budget is a new business manager who will be responsible for manning the front desk, disbursements, purchasing and provide assistance as needed to the executive director and the marketing director. The business manager position being requested for FY 2019 will be responsible for contracts, room scheduling, and business

development with industry partners and institutions. *The Governor recommended \$52,643 less than requested, which reflects hiring the new business manager position for two-thirds of FY 2019. The revised budget includes \$0.1 million and 1.0 new business manager position for almost an entire fiscal year. The Assembly concurred.*

Westerly Center Lease. The Office's request removes the \$1,250,000 in the enacted budget for the second year of a two-year agreement to provide general revenue funding for the new Westerly Higher Education and Job Skills Center. The lease agreement signed between the Council on Postsecondary Education and the Royce Family Fund, Inc. in August 2016 includes "additional payments" of \$750,000 for FY 2017 and a further \$1,250,000 assumed for FY 2018. The enacted budget includes \$1.3 million from general revenues to complete the state's commitment. *The Governor recommended funding as requested. The Assembly concurred.*

Other Salaries and Benefits. The request includes \$2.3 million from general revenues for salary and benefit costs for the other 12.0 positions within the Office, which is \$0.3 million more from general revenues than the enacted budget and the revised request to reflect full funding for all authorized positions including some revisions to the salaries of several positions and current service adjustments consistent with Budget Office planning values. *The Governor recommended \$0.1 million more than requested including \$0.2 million less from general revenues. Of the general revenue reduction, \$0.1 million is identified as being part of the effort to achieve \$25.0 million in undistributed savings. The Governor added authorization for 2.0 new positions funded from yet to be identified grants.*

The Assembly included additional general revenue turnover savings of \$150,000, added \$45,880 for cost-of-living adjustments for state employees, and removed \$0.1 million for a Governor's Office position partially being charged to the Office. It also removed \$0.2 million from restricted receipts and 2.0 new unidentified positions recommended for the Office.

Shepard Building. The unrestricted budget request includes \$2.2 million for costs associated with parking and operating expenses for the Shepard Building. 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 request is \$0.1 million less than the revised allocation and assumes the University will begin charging students attending the Providence Campus a per semester fee of \$115 for those that choose to park in the Convention Center and that 90 percent of current full-time students and 75 percent of part-time students will elect to obtain permits beginning in FY 2018. This proposal has come from the administration as part of the effort to achieve \$25.0 million in undistributed savings included in the FY 2018 enacted budget. *The Governor recommended funding as requested. The Assembly concurred.*

College Crusade Support. The Office requested \$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 position, 1.0 fiscal officer, and 0.2 bookkeeper, as well as costs for rent and utilities. *The Governor recommended funding as requested. The Assembly concurred.*

On-Line Text Books. The request includes \$0.1 million in new general revenue expenditures for a new contract with the University of Minnesota to provide workshops at each of the institutions and collect reviews of textbooks from the open textbook library's collection from faculty at each institution. This is part of the Governor's initiative announced in September 2016 to support higher education institutions in transitioning to on-line text books. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Office Operations. The request includes \$0.4 million for all other Office operations. This is \$0.2 million more from general revenues than enacted. Of the increase, \$0.1 million is for building and property insurance that had been paid from Division of Higher Education Assistance reserve funds. With the transfer of the deed to the Office of Postsecondary Commissioner, the expense is now funded from general revenues. *The Governor recommended general revenue funding as requested.* **The Assembly concurred.**

Best Buddies. The Office requested the enacted level of \$30,000 from general revenues for the Best Buddies program. The mission of the organization is to establish a global volunteer movement that creates opportunities for one-to-one friendships, integrated employment and leadership development for people with intellectual and developmental disabilities. *The Governor recommended funding as requested.* **The Assembly provided an additional \$30,000 for a total of \$60,000.**

Capital. The Office's request includes \$150,000 from Rhode Island Capital Plan funds for capital projects at the Office consistent with the Council's approval. It should be noted that the funding is erroneously budgeted as general revenues. *The Governor recommended \$2.0 million from Rhode Island Capital Plan funds to replicate the public-private education model being used at the Westerly Higher Education and Job Skills Center in northern Rhode Island. Rhode Island Capital Plan funds would be used to construct one or more education centers.* **The Assembly concurred. It also included language requiring that the state provide no more than 50 percent of the total project costs. Projects are described in detail in the Capital Budget section of this publication.**

College Access Challenge Grant. The request removes the \$0.2 million in the enacted budget from College Access Challenge Grant federal funds 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. *The Governor recommended funding as requested.* **The Assembly concurred.**

Division of Higher Education Assistance

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 indicated 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. The current contract with Naviant for this work expires on August 30, 2018.

The Governor's budget assumes that the guaranty agency operations are transferred to a non-governmental successor agency by the end of FY 2018 to preserve resources for scholarships. The recommended budget includes \$0.5 million for possible expenses in FY 2019 related to the transfer. **The Assembly enacted legislation limiting the Office's use of guaranty agency funds for personnel and operating costs in FY**

2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and reduced federal funds by \$0.5 million to comply with this limit.

Salaries and Benefits. The request includes \$1.2 million from guaranty agency reserve funds to support staffing costs for 10.0 full-time equivalent positions within the Division of Higher Education Assistance. Requested funding is \$68,984 less than enacted and fully funds all authorized positions within the Division. The enacted budget assumed cost-of-living increases of 3.0 percent that did not occur. 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.

The Governor's budget is \$0.2 million less than requested to reflect the elimination of 3.0 positions directly associated with the transfer of guaranty agency operations. Of the Division's 10.0 full-time equivalent positions, 3.0 are associated with the loan portfolio management work. The recommendation maintains \$0.5 million for 7.0 staff who support the work of the Office. New revenues to support this work stop with the transfer of the portfolio management.

The Assembly enacted legislation limiting the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and reduced federal funds by \$0.8 million to comply with this limit.

WaytoGo RI Web Portal. The request includes \$0.5 million from guaranty agency reserve funds for contracted services related to the operation of the Office's WaytoGo RI web portal system, which is \$0.2 million less than 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 Office does not plan to renew the contract, but has requested funding pending a decision on alternatives. *The Governor removed all funding for WaytoGo RI. The Assembly concurred.*

Other Division Operations. The request includes \$0.8 million from federal funds for all other Division operations, \$56,783 less than the enacted budget. These expenses include \$0.1 million for outside legal services, \$0.1 million for contracted audits, \$0.1 million for building and equipment maintenance, and \$0.2 million for dues and fees, the largest of which is \$147,000 to the New England Board of Higher Education. *The Governor recommended funding essentially as requested. The Assembly enacted legislation limiting the Office's use of guaranty agency funds for personnel and operating costs in FY 2019 to 10.0 percent of the guaranty agency funds appropriated for scholarships and grants and reduced federal funds by \$0.6 million to comply with this limit.*

University of Rhode Island

University of Rhode Island	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 311,307,017	\$ 310,799,812	\$ 321,049,905	\$ 321,024,224
Contracted Services	18,288,110	18,477,202	19,322,451	19,322,451
Subtotal	\$ 329,595,127	\$ 329,277,014	\$ 340,372,356	\$ 340,346,675
Other State Operating	160,938,078	158,645,141	162,996,683	164,895,607
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	231,842,227	234,438,787	234,221,516	234,621,516
Capital	10,941,800	13,453,734	10,945,917	18,645,917
Capital Debt Service	43,978,261	43,246,748	44,270,772	44,270,772
Operating Transfers	-	-	-	-
Total	\$ 777,295,493	\$ 779,061,424	\$ 792,807,244	\$ 802,780,487
Sources of Funds				
General Revenue	\$ 101,229,728	\$ 101,094,721	\$ 102,803,013	\$ 105,076,256
Tuition and Fees	311,495,533	312,071,842	321,190,339	321,190,339
Other Unrestricted	35,739,358	34,429,045	34,429,045	34,429,045
Total Unrestricted	\$ 448,464,619	\$ 447,595,608	\$ 458,422,397	\$ 460,695,640
Restricted	328,830,874	331,465,816	334,384,847	342,084,847
All Sources	\$ 777,295,493	\$ 779,061,424	\$ 792,807,244	\$ 802,780,487
FTE Authorizations				
	1,915.7	1,915.7	1,935.2	1,932.2
<i>Limited to Third-Party Funds</i>	573.8	573.8	622.8	622.8
Total	2,489.5	2,489.5	2,558.0	2,555.0

Summary. The University requested \$812.6 million and 2,555.0 full-time equivalent positions for FY 2019, an increase of \$35.3 million or 4.5 percent to the FY 2018 enacted budget and an increase of \$36.4 million or 4.7 percent to the revised allocation. General revenues, requested at \$105.8 million, are \$4.6 million more than both the enacted budget and the revised allocation. Compared to the enacted budget, restricted expenditures are \$25.8 million more, which mainly reflects increased capital expenditures from auxiliary revenues. The staffing request includes an increase of 65.5 full-time equivalent positions over the enacted authorization and assumes that 622.8 of the total positions would be limited to funding from third-party sources, 49.0 more than the enacted authorization.

At its October 25, 2017 meeting, the Finance Committee directed each of the institutions to revise their original budget submissions to specific targets so that the general revenue increase for FY 2019 would total \$9.0 million across the three institutions. The budget approved by the Council at its November 8 meeting included \$4.8 million less from general revenues than originally requested by the institutions including \$3.9 million less for the University, \$1.3 million less for the Community College and \$0.4 million more for the College.

The Governor recommended \$792.8 million from all sources, which is \$15.5 million more than enacted and \$19.8 million less than requested. The recommendation includes \$102.8 million from general revenues, which is \$1.6 million more than enacted and \$3.0 million less than requested. Adjusted for increased expenditures for debt service, general revenues are \$0.8 million more than enacted and \$3.8 million less than requested. The Governor recommended 2,558.0 full-time equivalent positions, which is 68.5 more

than enacted and 3.0 more than requested. The Assembly added \$2.0 million in general revenue operating support for the University and \$0.3 million for cost-of-living adjustments for state employees. It added \$7.7 million from Rhode Island Capital Plan funds for two capital projects, removed authorization for the 3.0 new positions that were not requested by the University, and concurred with the remainder of the recommendation.

Tuition and Enrollment. The FY 2019 budget includes no tuition and mandatory fee increases for in-state undergraduate students and a 2.5 percent increase of \$720 in the tuition paid by out-of-state students. The request also includes an increase of 0.6 percent or \$76 for average room and board costs. In-state enrollment is projected to decrease 1.8 percent or 141 full-time equivalent students and out-of-state enrollment is projected to increase 1.8 percent or 124 full-time equivalent students. This represents a total decrease of 0.1 percent or 17 full-time equivalent students. For FY 2019, the University projects that of 14,705 students, 7,646 or 52.0 percent will be from Rhode Island.

University Undergraduate				
Tuition and Fees	FY 2018	FY 2019	Change to FY 2018	
Resident				
Tuition	\$ 12,002	\$ 12,248	\$ 246	2.0%
Fees	1,790	1,890	100	5.6%
Total	\$ 13,792	\$ 14,138	\$ 346	2.5%
Nonresident				
Tuition	\$ 28,252	\$ 28,972	\$ 720	2.5%
Fees	1,790	1,790	-	0.0%
Total	\$ 30,042	\$ 30,762	\$ 720	2.4%
Average Room and Board	\$ 12,452	\$ 12,528	\$ 76	0.6%
Undergraduate and Graduate Enrollment				
In-State	7,787	7,646	(141)	-1.8%
Out-of-State	6,935	7,059	124	1.8%
Total	14,722	14,705	(17)	-0.1%

As in its FY 2017 and FY 2018 requests, the University proposed 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 2017 meeting and 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 no in-state tuition or mandatory fee increases consistent with Council approved rates. Those rates assumed \$9.0 million in new unrestricted state support system wide; the Governor’s budget provides the institutions with \$2.8 million of that. The University’s share of the \$2.8 million is \$0.8 million.*

The Budget assumes in-state tuition increases of \$246 or 2.0 percent and a technology fee increase of \$100 for the University based on Council approved rates at its March 2018 meeting.

Staffing. The request for 2,555.0 full-time equivalent positions is 65.5 more than the enacted level to reflect new positions including 10.0 tenure-track faculty positions, 1.0 for a new office for innovation, 1.0 for a new office for undergraduate research and innovation, 1.0 new assistant director for veterans’ affairs, 1.0 new psychologist, and 2.5 for the athletics department. The request also includes an additional 49.0 positions that would be limited to funding from third-party sources. This includes 12.0 for DataSpark, a former data analytics group that joined the University in February 2017, 12.0 related to a new five-year National Science Foundation grant, and 25.0 related to a health system transformation project with the Executive Office of Health and Human Services.

The Governor recommended authorization for 68.5 new full-time equivalent positions including 10.0 tenure-track faculty positions, 1.0 for a new office for innovation, 1.0 for a new office for undergraduate research and innovation, 1.0 new assistant director for veterans' affairs, 1.0 new psychologist, and 2.5 for the athletics department. The recommendation also includes 3.0 new lecturer positions, which are contracted and not employees of the University. The Governor recommended an additional 49.0 positions that would be limited to funding from third-party sources. This includes 12.0 for DataSpark, 12.0 related to a new five-year National Science Foundation grant, and 25.0 related to a health system transformation project with the Executive Office of Health and Human Services. **The Assembly did not authorize the 3.0 new lecturer positions as they are contracted but concurred with the remainder of the recommendation.**

Unrestricted Budget. Including the State Crime Lab, the unrestricted budget accounts for \$458.0 million, an increase of \$9.5 million or 2.1 percent over the enacted budget and \$10.3 million or 2.3 percent over the revised allocation. Sources of funds for the increase from the revised budget include \$4.6 million more from general revenues, and \$5.7 million more from tuition and fees.

The Budget Office instructed agencies to submit a constrained budget request including a 10.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the University is \$5.2 million more than the unconstrained request, including \$11.4 million less from general revenues offset by \$16.6 million more from tuition and fees. As in its FY 2017 and FY 2018 requests, the University proposed further tuition rate increases to offset the general revenue reduction contained in the budget target instead of making expenditure reductions.

The Governor recommended \$458.4 million in unrestricted expenditures, which is \$10.0 million more than enacted and \$0.5 million more than requested. General revenues are \$1.6 million more than enacted and \$3.0 million less than requested. Adjusted for increased expenditures for debt service, general revenues are \$0.8 million more than enacted and \$3.8 million less than requested. The Governor's recommendation replaces the \$3.0 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.

University of Rhode Island Changes to Enacted	Request	Governor	Assembly
Current Year Revisions	\$ (785,136)	\$ (997,319)	\$ (869,011)
Centralized Services	-	(35,168)	(35,168)
New Faculty (10.0 FTE)	1,354,777	1,354,777	1,354,777
New Office for Innovation (1.0 FTE)	147,083	147,083	147,083
New Office for Undergraduate Research & Innovation (1.0 FTE)	105,857	105,857	105,857
New Assistant Director for Veterans Affairs (1.0 FTE)	99,673	99,673	99,673
New University Psychologist (1.0 FTE)	106,970	106,970	106,970
New Athletics Positions (2.5 FTE)	231,061	231,061	231,061
Nursing Education Center	247,499	247,499	247,499
Other Salaries and Benefits	4,348,434	3,244,789	3,511,796
Utilities	386,286	386,286	386,286
Debt Service	360,277	1,187,123	1,187,123
Student Aid	-	-	-
Online Application & IT Security Upgrades	810,722	810,722	810,722
State Crime Lab	182,509	67,066	73,302
Other Operations	1,897,714	3,001,359	5,001,359
Total	\$ 9,493,726	\$ 9,957,778	\$ 12,359,329

The Assembly added \$2.0 million in general revenue operating support and \$0.3 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.

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 requested \$0.8 million or 0.2 percent less from unrestricted sources than enacted. This includes \$0.5 million or 0.2 percent more than enacted from tuition and fees, the enacted level from general revenues, and \$1.3 million less from prior unrestricted year-end fund balances. Changes to the enacted budget include \$3.2 million less for salaries and benefits and \$0.1 million less for contracted services offset by \$0.6 million more for operating expenditures and \$0.3 million more in unrestricted debt service. Student aid is \$1.6 million more.

*The Governor recommended \$0.2 million less than requested to reflect adjustments to debt service. General revenues are \$0.3 million less than requested to reflect savings from the voluntary retirement incentive; however, the Governor's budget assumes the University will have other unrestricted sources available to backfill the reduction. **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget removes \$35,168 from general revenues for centralized information technology services transferred from the Department of Administration that was added in the Governor's revised recommendation. **The Assembly concurred.***

New Faculty (10.0 FTE). Unrestricted expenditures increase \$1.4 million to fund 10.0 new tenure-track faculty positions for FY 2019. 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 cited 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 indicated 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 and FY 2018 enacted budgets each included 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 recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

New Office for Innovation (1.0 FTE). Unrestricted expenditures increase \$0.1 million and the University requested authorization for 1.0 new full-time equivalent position for a new office for innovation. The Office for Innovation is directly related to curriculum and the continued implementation and enhancements to the general education program approved by the faculty senate in March 2014. *The Governor recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

New Office for Undergraduate Research and Innovation (1.0 FTE). Unrestricted expenditures increase \$0.1 million and the University requested authorization for 1.0 new full-time equivalent positions for a new office for undergraduate research and innovation. This Office will make an effort to target younger students, those from under-represented, first generation, and low income populations and support research and innovation ideas and projects across all disciplinary and interdisciplinary arenas, including academic areas that often do not typically involve students in research, innovation, and/or creative endeavors. *The Governor recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

New Assistant Director for Veterans Affairs (1.0 FTE). Unrestricted expenditures increase \$0.1 million to fund 1.0 new assistant director for a veterans' affairs position to support veterans, eligible dependents and military connected students. In FY 2015, the Student Veterans Committee proposed a plan to address the needs of student veterans, dependents and military connected students on the Kingston Campus. In the spring of 2016 there were 232 veterans, 98 veteran dependents and 143 military connected students enrolled on the Kingston Campus. *The Governor recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

New University Psychologist (1.0 FTE). Unrestricted expenditures increase \$0.1 million to fund 1.0 new university psychologist position in response to an increase in mental health needs on college campuses. The University reported that nationwide, students are presenting with more severe psychological problems resulting in increased utilization of therapy appointments and psychiatric services. The University's counseling center has seen a 20 percent increase in utilization since 2011. The new position will increase service capacity for students, add to targeted outreach efforts, and provide faculty and staff training on issues of mental health, early intervention and transition difficulties of marginalized communities. The University noted that an additional clinician would put the University in line with the International Association of Counseling Services recommendation of a staff to student ratio of approximately one to every 1,000 to 1,500 students. *The Governor recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

New Athletic Positions (2.5 FTE). Unrestricted expenditures increase \$0.2 million to fund 2.5 new full-time equivalent positions for the athletics department. These positions will support students with training and recovery and allow the staff to partner with the academic departments for research and grants. The University also anticipates a public relations benefit as student athlete performance improves. The new positions include 1.0 new strengthening and conditioning coach and 2 part-time associate athletic therapists. *The Governor recommended funding and staffing as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

Nursing Education Center. The unrestricted budget includes \$1.5 million for the University’s share of costs associated with the Rhode Island Nursing Education Center for FY 2019. This is \$0.2 million more than the revised allocation; FY 2018 is the first full year of occupancy. Requested funding for FY 2019 includes \$0.6 million for the University’s share of staffing costs for 10.0 positions associated with the facility, \$0.8 million for the University’s share of lease costs, and \$0.2 million for other operation costs. *The Governor recommended funding and staffing as requested.* **The Assembly concurred.**

Other Salaries and Benefits. Excluding the new positions discussed previously, the unrestricted budget includes \$233.5 million for all other faculty and staff expenditures. The request is \$4.3 million or 1.9 percent more than the revised allocation. The increase reflects updated benefits consistent with Budget Office instructions, step increases, and funding set aside pending the resolution of contract negotiations. It appears to incorrectly include \$1.1 million in staffing costs for the 12.0 new positions associated with DataSpark, which should be budgeted from restricted sources. *The Governor recommended \$1.1 million less than requested to correctly budget all positions.* **The Assembly added funding for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.**

Utilities. The unrestricted budget includes \$10.5 million for utility costs, \$0.4 million or 3.8 percent more than the FY 2018 revised allocation. The request is \$0.8 million or 7.9 percent more than spent in FY 2017 and \$3.2 million or 44.5 percent more than spent in FY 2016. The increase reflects historical expenditures, and estimated future usage. *The Governor recommended funding as requested.* **The Assembly concurred.**

Debt Service. The unrestricted request includes \$28.6 million for debt service costs, \$0.4 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 includes \$0.1 million more for principal payments on Certificates of Participation for the University’s energy efficiency upgrades and \$0.3 million more for debt service on revenue bonds. Both increases reflect the debt service schedule and no new projects.

The Governor recommended \$29.2 million, which is \$1.2 million more than FY 2018 and includes \$0.2 million more for the University’s energy conservation project and \$0.7 million more for general obligation bond debt service associated with the University’s engineering building renovations project. **The Assembly concurred.**

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	8,501,835	3,042,265	1,707,094	13,251,194
FY 2017	15,485,717	3,425,061	1,970,001	20,880,779
FY 2018 Final	22,764,906	3,480,539	1,781,286	28,026,731
FY 2019 Enacted	23,428,285	3,776,722	2,008,847	29,213,854

Student Aid. The unrestricted budget includes \$99.3 million for student aid, which is consistent with the FY 2018 revised allocation and 9.8 percent greater than FY 2017 expenditures. The increase correlates to the out-of-state tuition increase.

The institutions also receive additional funding for student aid 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 for FY 2018. The University considers both part-time and full-time students eligible for this grant. The University provided Last Dollar Scholarship grant funds to 3,289 students with an average award of \$770 during the fall semester of 2017. *The Governor recommended funding as requested.* **The Assembly concurred.**

Online Application and IT Security Upgrades. The unrestricted budget includes \$5.5 million for information technology related services. This is \$0.8 million or 14.7 percent more than the revised allocation. Increased funding will be used for security upgrades and a contract with The Common Application, which allows for on-line applications. *The Governor recommended funding as requested.* **The Assembly concurred.**

State Crime Lab. The unrestricted budget includes \$1.4 million for the State Crime Lab, \$0.2 million more than the revised allocation. This reflects \$34,834 in current service adjustments for the Crime Lab's 9.0 authorized positions and \$120,000 for new self-contained chemical fume hoods, which will replace stationary hoods.

The constrained budget request reduces general revenues by \$0.2 million and requests that a like amount of funding be provided from an alternate source. The Crime Lab has indicated that a possible alternative source of revenue would be to impose a fee on the agencies which use the laboratory services. The Crime Lab has indicated that this practice was enacted in 1978 legislation, but repealed in 1984. The Crime Lab suggests that another option would be to add a dedicated surcharge of 5.0 percent to every insurance property loss policy written in the state. The Crime Lab indicated that any reduction in expenditures would result in the loss of its standing as an accredited laboratory under the guidelines for forensic testing laboratories. This is the same proposal submitted as part of the FY 2014, FY 2015, and FY 2016 constrained budget requests. *The Governor did not recommend the \$120,000 for the new fume hoods, added \$681 for statewide benefit adjustments and concurred with the remainder of the request.* **The Assembly added funding for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.**

Other Operations. Excluding the items noted previously, the unrestricted budget includes \$65.6 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, external auditors, trash collection, and recycling. This is \$1.9 million more than the revised allocation. The request includes an additional \$0.3 million to hire 3.0 new contracted lecturers. Otherwise, the request is largely consistent with the Commonfund Institute's higher education price index, which showed a 1.8 percent increase for FY 2016, the most recent data available. The University has increased expenses using this index in cases where there are no known changes. *The Governor recommended \$1.1 million more than requested to offset the reduction made to salaries and benefits to keep the overall recommendation at the aggregate level.* **The Assembly added \$2.0 million in general revenue operating support for the University.**

Restricted Budget. The restricted budget request is for \$354.6 million, which is \$25.8 million or 7.9 percent more than enacted and \$26.1 million or 7.9 percent more than the revised allocation. The increase to the enacted budget includes \$4.6 million more for sponsored research programs and \$0.8 million less for student aid. The largest change is \$21.6 million more for capital improvements funded from Rhode Island Capital Plan funds. *The Governor recommended \$334.4 million from restricted sources, which is \$5.6 million more than enacted and \$20.3 million less than requested, almost entirely from Rhode Island Capital Plan funds.* **The Assembly added \$7.7 million from Rhode Island Capital Plan funds based on revisions to the fine arts center renovation and biological resources lab projects.**

Capital. The restricted budget includes \$30.6 million for capital improvements funded from Rhode Island Capital Plan funds. This is \$21.6 million more than enacted and is attributable to a number of projects taking place in FY 2019. This includes \$13.2 million to begin renovations of the University's Fine Arts Center, and represents the first year of a four-year request for Rhode Island Capital Plan funding for the Fine Arts Center. The request also includes \$5.6 million more for asset protection projects, \$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 \$0.7 million for the biological resources lab project. *The Governor recommended \$21.4 million less than requested.*

*The Governor subsequently requested an amendment to advance \$5.4 million to FY 2019 and \$2.6 million to FY 2020 for the Fine Arts Center Renovation project. **The Assembly concurred with the requested amendment and added \$2.3 million for the Biological Resources Lab project based on a revised project schedule and concurred with the remainder of the recommendation. Projects are explained in more detail in the Capital Budget section of this publication.***

Sponsored Research. The restricted budget includes \$88.2 million from sponsored research funding, which is \$4.7 million more than enacted. The budget reflects account awards in hand or anticipated as well as current and future proposals and includes two new grants and a request for 37.0 new full-time equivalent positions to work on those grants.

The first is a request for 12.0 new third-party funded positions to support a new National Science Foundation Grant. The University recently received a \$19.0 million grant over the next five years to establish the Rhode Island Consortium for Ecology, Assessment, Innovation and Modeling. The work will include the creation of a Bay Observatory to collect information in Narragansett Bay. The University anticipates 12.0 positions will be needed to support the grant activity.

The second is a request for 25.0 new third-party funded positions to work on a health system transformation initiative. The University has recently entered into an agreement with the Executive Office of Health and Human Services to support health system transformation in Rhode Island. The Centers for Medicare and Medicaid Services has granted a waiver that will allow for costs associated with training healthcare workers as a reimbursable cost. The University will provide \$1.6 million annually to support new healthcare workforce training initiatives and will hire 10.0 research assistants to accomplish this work. It also anticipates needing 15.0 yet unidentified positions such as PhD level policy experts, masters prepared analysts and fiscal staff to work on the expanded services category of the agreement. *The Governor recommended staffing and funding as requested. **The Assembly concurred.***

Other Operations. The restricted budget includes \$235.8 million for all other restricted expenses for auxiliary and enterprise operations. This includes restricted external student grants and loans and debt service. The request is \$0.5 million less than enacted, of which \$0.8 million reflects a reduction to student aid compared to the FY 2018 enacted and revised budgets for the federal direct loan program, which would be \$1.5 million more than spent in FY 2017 and the same as spent in FY 2016. Debt service is \$0.9 million less and reflects savings from the refunding of revenue bonds in FY 2017. These reductions are partially offset by \$0.7 million more for salaries and benefits and \$0.3 million more for contracted services.

The restricted budget request also includes a request for 12.0 new third-party funded positions and \$1.2 million associated with DataSpark. DataSpark, the home of the Rhode Island DataHub and the former data analytics arm of the Providence Plan, joined the University in February 2017. DataSpark maintains numerous databases on health, education and workforce, and conducts data analyses on public policy. The DataSpark staff members became University employees in February 2017 and report to the Dean of University Libraries. It appears that the request incorrectly included the cost for these positions in the unrestricted budget request. *The Governor recommended \$1.1 million more than requested to correctly budget the DataSpark positions. **The Assembly concurred.***

Rhode Island College

Rhode Island College	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 108,192,373	\$ 105,470,424	\$ 108,601,874	\$ 108,741,682
Contracted Services	2,783,650	3,129,831	3,167,947	3,167,947
Subtotal	\$ 110,976,023	\$ 108,600,255	\$ 111,769,821	\$ 111,909,629
Other State Operating	30,333,802	28,396,718	27,955,695	27,955,695
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	32,879,603	32,013,837	32,013,837	32,013,837
Capital	15,561,431	21,826,160	17,692,184	17,692,184
Capital Debt Service	9,332,741	10,036,428	10,291,355	10,291,355
Operating Transfers	-	-	-	-
Total	\$ 199,083,600	\$ 200,873,398	\$ 199,722,892	\$ 199,862,700
Sources of Funds				
General Revenue	\$ 53,055,851	\$ 54,095,652	\$ 55,609,858	\$ 55,749,666
Tuition and Fees	74,983,706	73,157,407	75,302,793	75,302,793
Other Unrestricted	12,206,225	7,885,274	8,080,269	8,080,269
Total Unrestricted	\$ 140,245,782	\$ 135,138,333	\$ 138,992,920	\$ 139,132,728
Restricted	58,837,818	65,735,065	60,729,972	60,729,972
All Sources	\$ 199,083,600	\$ 200,873,398	\$ 199,722,892	\$ 199,862,700
FTE Authorizations				
	850.2	850.2	873.2	873.2
<i>Limited to Third-Party Funds</i>	76.0	76.0	76.0	76.0
Total	926.2	926.2	949.2	949.2

Summary. Rhode Island College requested \$203.9 million from all sources and 926.2 full-time equivalent positions. This is an increase of \$4.8 million or 2.4 percent from the enacted budget and \$6.7 million or 3.4 percent from the revised allocation. General revenues, requested at \$53.1 million, are \$2.3 million more than the revised allocation. Compared to the enacted budget, restricted source expenditures are \$9.9 million more. The staffing request is consistent with the enacted authorization.

At its October 25, 2017 meeting, the Finance Committee directed each of the institutions to revise their original budget submissions to specific targets so that the general revenue increase for FY 2019 would total \$9.0 million across the three institutions. The budget approved by the Council at its November 8 meeting included \$4.8 million less from general revenues than originally requested by the institutions including \$3.9 million less for the University, \$1.3 million less for the Community College and \$0.4 million more for the College.

The Governor recommended \$199.7 million from all sources, which is \$0.6 million more than enacted and \$4.1 million less than requested. The recommendation includes \$55.6 million from general revenues, which is \$2.6 million more than enacted and requested. Adjusted for increased expenditures for debt service, general revenues are \$1.0 million more than enacted and \$1.3 million less than requested. The Governor recommended 949.2 full-time equivalent positions, which is 23.0 more than the enacted authorization for the College to provide flexibility and capacity as part of its efforts to expand the use of full-time faculty and rely less on part-time adjunct faculty. The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.

Tuition and Enrollment. The FY 2019 budget assumes that tuition and fees would remain the same as in FY 2018 for both in-state and out-of-state students. The College had originally requested mandatory fee increases of \$121 but those were not approved by the Council. Average room and board would increase \$351. In-state enrollment is projected to decrease 1.2 percent or 68 full-time equivalent students and out-of-state enrollment is projected to increase 1.2 percent or 13 full-time equivalent positions for a total decrease of 0.8 percent or 55 full-time equivalent students compared to the enacted estimates. For FY 2019, the College is projecting that out of 6,859 full-time equivalent students, 5,797 or 85.5 percent will be in-state and 1,062 will be out-of-state.

College Undergraduate				
Tuition and Fees	FY 2018	FY 2019	Change to FY 2018	
Resident				
Tuition	\$ 7,637	\$ 7,790	\$ 153	2.0%
Fees	1,139	1,139	-	0.0%
Total	\$ 8,776	\$ 8,929	\$ 153	1.7%
Nonresident				
Tuition	\$ 20,150	\$ 20,150	\$ -	0.0%
Fees	1,139	1,139	-	0.0%
Total	\$ 21,289	\$ 21,289	\$ -	0.0%
Average Room and Board	\$ 11,695	\$ 12,046	\$ 351	3.0%
Undergraduate and Graduate Enrollment				
In-State	5,865	5,797	(68)	-1.2%
Out-of-State	1,049	1,062	13	1.2%
Total	6,914	6,859	(55)	-0.8%

As in previous requests, the College indicated that in order to meet its constrained budget target it will implement 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 in the tables above at its November 2017 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 no in-state tuition or mandatory fee increases consistent with Council approved rates. Those rates assumed \$9.0 million in new unrestricted state support system wide; the Governor’s budget provides the institutions with \$2.8 million of that. The College’s share of the \$2.8 million is \$1.0 million. **The Budget assumes in-state tuition increases of \$153 or 2.0 percent for the College based on Council approved rates at its March 2018 meeting.***

Staffing. The request for 926.2 full-time equivalent positions is consistent with the enacted authorization. As with the enacted budget, the request also assumes that 76.0 of the total positions would be limited to funding from third-party sources. *The Governor recommended 949.2 full-time equivalent positions, which is 23.0 more than the enacted authorization for the College to provide flexibility and capacity as part of its efforts to expand the use of full-time faculty and rely less on part-time adjunct faculty. **The Assembly concurred.***

Unrestricted Budget. The unrestricted budget accounts for \$135.1 million, which is a decrease of \$5.1 million or 3.6 percent from the enacted budget and an increase of \$3.7 million or 2.8 percent from the revised allocation. Sources of funds for the increase from the revised allocation include \$2.3 million more from general revenues, \$1.2 million more from tuition and fees, and \$0.2 million more from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including a 10.0 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 \$6.9 million less from general revenues offset by \$6.9 million more from tuition and fees. As in its FY 2017 and FY 2018 requests, 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 recommended \$139.0 million in unrestricted expenditures, which is \$1.3 million less than enacted and \$0.5 million more than requested. General revenues are \$1.6 million more than enacted and \$3.9 million more than requested. Adjusted for increased expenditures for debt service, general revenues are \$1.0 million more than enacted and \$1.3 million less than requested. The Governor's recommendation replaces the \$1.3 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. **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

College Changes to Enacted			
	Request	Governor	Assembly
Current Year Revisions	\$ (8,829,269)	\$ (5,186,233)	\$ (5,107,449)
Centralized Services	-	(15,662)	(15,662)
Nursing Education Center Operations	247,499	247,499	247,499
Salaries and Benefits	2,711,297	2,988,330	3,128,138
Student Aid	-	-	-
Professional Advising	420,000	420,000	420,000
Computer Refresh	180,000	180,000	180,000
Vehicles	105,000	105,000	105,000
Debt Service	21,096	249,535	249,535
Other Operations	35,702	(241,331)	(241,331)
Total	\$ (5,108,675)	\$ (1,252,862)	\$ (792,939)

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 requested \$8.8 million less from unrestricted sources than enacted. This includes \$2.3 million less from general revenues erroneously reduced for general obligation bond debt service. It also includes \$2.2 million or 2.9 percent less from tuition and fees, and \$4.3 million less from other unrestricted sources.

The revised allocation includes \$2.1 million less than enacted for salaries and benefits. Further changes include \$1.0 million less for student aid, \$0.1 million less for capital expenses, and \$2.7 million less for operating expenses. The revised allocation also includes \$2.9 million less for unrestricted debt service, although \$2.3 million of this related to general obligation bond debt service should not have been reduced.

*The Governor's revised budget is \$3.6 million more than requested including \$3.3 million more from general revenues. This includes \$3.6 million to correctly show general obligation bond debt service supported by general revenues offset by \$0.3 million in general revenue savings from the voluntary retirement incentive program. **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget removes \$15,662 from general revenues for centralized information technology services transferred from the Department of Administration that was added in the Governor's revised recommendation. **The Assembly concurred.***

Nursing Education Center. The unrestricted budget includes \$1.5 million for Rhode Island College's share of costs associated with the Rhode Island Nursing Education Center for FY 2019. This is \$0.2 million more than the revised allocation; FY 2018 is the first full year of occupancy. Requested funding for FY 2019 includes \$0.6 million for the College's share of staffing costs for 10.0 positions associated with the facility, \$0.8 million for the College's share of lease costs, and \$0.2 million for other operation costs. *The Governor recommended funding as requested. **The Assembly concurred.***

Salaries and Benefits. The unrestricted budget includes \$93.9 million for all other unrestricted faculty and staff expenditures. The request is \$2.7 million or 3.4 percent more than the revised allocation. The increase reflects current service adjustments per Budget Office instructions, restoration of approximately \$0.2 million of turnover savings, scheduled step increases and funding set aside pending resolution of contract negotiations. *The Governor recommended \$0.3 million more than requested to reflect restoration of funding for FY 2019 from the voluntary retirement incentive programs savings taken in FY 2018 as part of the effort to achieve \$25.0 million of unidentified savings. **The Assembly added funding for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

Student Aid. The unrestricted budget includes \$16.7 million for student aid, which is consistent with the FY 2018 allocation and \$1.3 million or 8.7 percent more than FY 2017 expenditures. Funding reflects the tuition and fee freeze 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 receive additional funding for student aid 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 for FY 2018. The College provided Last Dollar Scholarship grant funds to 471 students with an average award of \$2,125 during the fall 2017 semester. 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 \$6.9 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 account for this. *The Governor recommended funding as requested. **The Assembly concurred.***

Professional Advising. The unrestricted budget includes \$0.4 million for the implementation of a new Hybrid Professional Advising Program. This program will begin in FY 2019 and will shift from a faculty-centric advising model to a hybrid model involving both professional advisors and faculty. The program

will 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. The budget includes \$0.3 million for 3.0 advisors and \$85,000 for operating costs. *The Governor recommended funding as requested. Absent additional resources, recommended spending will have to be reduced.* **The Assembly concurred.**

Computer Refresh. The unrestricted budget includes \$0.2 million to support the computer refresh program, for which funding was eliminated in the FY 2018 budget to help balance the budget. The College purchases new computers in bulk and replaces those that are high visibility and impact students (i.e. computer labs and classrooms). The original computers are re-distributed to other departments that need replacement. Currently, the program is on a six-year cycle whereby computers are gradually redistributed to departments which have the highest impact to students to lowest impact. *The Governor recommended funding as requested.* **The Assembly concurred.**

Vehicles. The unrestricted budget includes \$0.1 million as part of the college's vehicle replacement program. The College currently has a ten-year vehicle replacement program. Vehicles that are replaced from new purchases are re-distributed to other departments in the college. Other funding sources are utilized when available (i.e., dining trucks are purchased with dining auxiliary funds). Funding would purchase a facilities division dump truck, police vehicle, and other service vans on campus. *The Governor recommended funding as requested.* **The Assembly concurred.**

Debt Service. The unrestricted budget includes \$4.1 million for debt service costs, \$21,096 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 request improperly omits \$2.8 million for debt service on general obligation bonds that was added in FY 2018 to reflect bonds for the academic renovations phase I project. Debt service should total \$6.9 million. *The Governor recommended \$0.2 million more than the revised budget for debt service on general obligation bonds.* **The Assembly concurred.**

Other Operations. Excluding the items noted previously, the unrestricted budget includes \$16.5 million for all other operations, which is \$35,702 more than the revised allocation. Spending for these same items is 9.2 percent more than spent in FY 2016 and 14.0 percent more than spent in FY 2017. *The Governor recommended \$0.3 million less than requested to offset the increase for salaries and benefits and preserve the aggregate recommendation from general revenues.* **The Assembly concurred.**

Restricted Budget. The restricted budget request is for \$68.7 million, which is \$9.9 million or 16.8 percent more than enacted and \$3.0 million or 4.6 percent more than the revised allocation. Compared to the enacted budget, the request includes \$5.2 million more for capital expenditures funded from Rhode Island Capital Plan funds, \$5.0 million more from auxiliary reserve balances, and \$0.7 million less for sponsored research programs. The \$5.2 million increase for capital projects funded from Rhode Island Capital Plan funds reflects \$5.0 million for a new residence hall project, \$0.1 million for the academic building phase I project, and \$0.1 million more for asset protection projects. The request includes \$5.0 million in additional capital expenditures from auxiliary reserve balances for projects at the student union, dining center and residence halls.

The decreased funding for sponsored research programs includes \$1.2 million more from federal research grants and \$1.9 million less from state sponsored research grants. This projection reflects account awards in hand or anticipated as well as current and future proposals. *The Governor recommended \$8.0 million less than requested from Rhode Island Capital Plan funds to reflect the capital budget recommendation.* **The Assembly concurred. Projects are described in detail in the Capital Budget section of this publication.**

Community College of Rhode Island

Community College of Rhode Island	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 94,314,953	\$ 91,791,190	\$ 93,201,366	\$ 93,340,486
Contracted Services	2,366,310	3,396,788	4,321,408	4,321,408
Subtotal	\$ 96,681,263	\$ 95,187,978	\$ 97,522,774	\$ 97,661,894
Other State Operating	20,853,122	20,453,357	20,681,857	20,681,857
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	31,945,603	32,333,655	36,151,141	36,151,141
Capital	8,902,044	10,423,650	7,829,909	8,429,909
Capital Debt Service	2,887,870	2,887,870	2,707,905	2,707,905
Operating Transfers	-	-	-	-
Total	\$ 161,269,902	\$ 161,286,510	\$ 164,893,586	\$ 165,632,706
Sources of Funds				
General Revenue	\$ 52,018,555	\$ 51,792,092	\$ 52,839,740	\$ 52,978,860
Tuition and Fees	53,434,485	53,395,978	55,038,904	55,038,904
Other Unrestricted	6,564,646	4,918,092	5,569,660	5,569,660
Total Unrestricted	\$ 112,017,686	\$ 110,106,162	\$ 113,448,304	\$ 113,587,424
Restricted	49,252,216	51,180,348	51,445,282	52,045,282
All Sources	\$ 161,269,902	\$ 161,286,510	\$ 164,893,586	\$ 165,632,706
FTE Authorizations				
	765.1	765.1	765.1	765.1
<i>Limited to Third-Party Funds</i>	89.0	89.0	89.0	89.0
Total	854.1	854.1	854.1	854.1

Summary. The Community College requested \$166.1 million from all sources and 854.1 full-time equivalent positions for FY 2019. This is an increase of \$4.8 million or 3.0 percent from the enacted budget and an increase of \$1.3 million or 0.8 percent from the revised allocation. General revenues, requested at \$54.3 million, are \$2.3 million more than both the enacted budget and the revised allocation. Compared to the enacted budget, restricted source expenditures are \$3.2 million more. The staffing request is consistent with the enacted authorization and 89.0 positions would be limited to third-party sources.

At its October 25, 2017 meeting, the Finance Committee directed each of the institutions to revise their original budget submissions to specific targets so that the general revenue increase for FY 2019 would total \$9.0 million across the three institutions. The budget approved by the Council at its November 8 meeting included \$4.8 million less from general revenues than originally requested by the institutions including \$3.9 million less for the University, \$1.3 million less for the Community College and \$0.4 million more for the College.

The Governor recommended \$164.9 million from all sources, which is \$3.6 million more than enacted and \$1.2 million less than requested. The recommendation includes \$52.8 million from general revenues, which is \$0.8 million more than enacted and \$1.5 million less than requested. Adjusted for debt service expenditures, general revenues are \$1.0 million more than enacted and \$1.3 million less than requested. The Governor recommended 854.1 full-time equivalent positions, consistent with the enacted budget.

The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and \$600,000 from Rhode Island Capital Plan funds for the Knight Campus Renewal project shifted from FY 2018 and concurred with the remainder of the recommendation.

Tuition and Enrollment. The FY 2019 budget assumes that tuition and fees remain the same as in FY 2018. Enrollment is projected to increase by 2.2 percent or 194 full-time equivalent students.

Community College				
Tuition and Fees	FY 2018	FY 2019	Change to FY 2018	
Resident				
Tuition	\$ 4,148	\$ 4,148	\$ -	0.0%
Fees	416	416	-	0.0%
Total	\$ 4,564	\$ 4,564	\$ -	0.0%
Nonresident				
Tuition	\$ 11,740	\$ 11,740	\$ -	0.0%
Fees	416	416	-	0.0%
Total	\$ 12,156	\$ 12,156	\$ -	0.0%
Enrollment	8,857	9,051	194	2.2%

One of the three options proposed by the Community College as part of its constrained request is a tuition 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 2017 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 no in-state tuition or mandatory fee increases consistent with Council approved rates. Those rates assumed \$9.0 million in new unrestricted state support system wide; the Governor’s budget provides the institutions with \$2.8 million of that. The Community College’s share of the \$2.8 million is \$1.0 million. **The Assembly concurred.***

Staffing. The request for 854.1 full-time equivalent positions is consistent with the enacted level. The request assumes that 89.0 of the total positions would be limited to funding from third-party sources. *The Governor recommended staffing at the enacted level as requested. **The Assembly concurred.***

Unrestricted Budget. The unrestricted budget accounts for \$113.6 million, which is \$1.6 million or 1.4 percent more than the enacted budget and \$3.6 million or 3.3 percent more than the revised allocation. Sources of funds for the increase to the revised allocation include \$2.3 million more from general revenues, \$0.7 million more from tuition and fees and \$0.7 million more from other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including a 10.0 percent target reduction, adjusted for certain exclusions. The Community College indicated that it would consider three options if “necessary”. One is similar to FY 2017 and FY 2018, where the Community College would increase tuition to offset the general revenue reduction contained in the budget target instead of making expenditure reductions. Its constrained request would be consistent with the unconstrained request in terms of total funding, but include \$5.0 million less from general revenues offset by \$5.0 million more from tuition and fees. Two other options include reviewing potential campus consolidations or filling faculty vacancies with adjunct faculty for a limited amount of time if it would not negatively impact academic programming.

The Governor recommended \$113.4 million in unrestricted expenditures, which is \$1.4 million more than enacted and \$0.2 million less than requested. General revenues are \$0.8 million more than enacted and \$1.5 million less than requested. Adjusted for debt service expenditures, general revenues are \$1.0 million

more than enacted and \$1.3 million less than requested. The Governor's recommendation replaces the \$1.3 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. **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.**

Community College Changes to Enacted			
	Request	Governor	Assembly
Current Year Revisions	\$ (2,029,546)	\$ (1,999,615)	\$ (1,911,524)
Centralized Services	-	(29,931)	(29,931)
Salaries and Benefits	3,395,211	3,395,211	3,534,331
Student Aid	-	-	-
Debt Service	(1,150)	(179,965)	(179,965)
Other Operations	244,918	244,918	244,918
Total	\$ 1,609,433	\$ 1,430,618	\$ 1,657,829

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 requested \$2.0 million or 1.8 percent less from unrestricted sources than enacted. This includes \$0.4 million or 0.7 percent less than enacted from tuition and fees, the enacted level from general revenues, and \$1.6 million less from other unrestricted sources. The revised allocation includes \$2.4 million less than enacted for salaries and benefits and \$0.2 million less for unrestricted student aid. All other expenditures increase \$0.6 million. This includes an increase of \$0.7 million for contracted instructors for Electric Boat classes at the Westerly Higher Education and Job Skills Center. The Community College is responsible for running the educational component of the training program for Electric Boat. The Westerly Center takes in the revenue from Electric Boat and reimburses the Community College based on a rate per class section.

The Governor recommended \$29,931 more than requested for centralized information technology services transferred from the Department of Administration including \$0.3 million less from general revenues to reflect savings from the voluntary retirement incentive; however, the Governor's budget assumes the Community College will have other unrestricted sources available to backfill the reduction. **The Assembly added \$0.1 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The

state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget removes \$29,931 from general revenues for centralized information technology services that was added in the Governor's revised recommendation.* **The Assembly concurred.**

Salaries and Benefits. Unrestricted expenditures for other salaries and benefits total \$87.7 million, \$3.4 million or 3.9 percent more than the revised allocation. The increase reflects current service adjustments consistent with Budget Office planning values and funding set aside pending successful negotiation of employee contracts. *The Governor recommended funding as requested.* **The Assembly added funding for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.**

Student Aid. The unrestricted budget includes \$4.0 million for student aid, consistent with the revised allocation, and \$0.3 million or 6.9 percent more than FY 2017 expenditures. Funding is consistent with the tuition and fee freeze 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 receive additional funding for student aid in FY 2018 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 2,371 students with an average award of \$707.36 during the fall semester of 2017. 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 one of the constrained options assumes tuition increases that result in an additional \$5.0 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 account for this. *The Governor recommended funding as requested.* **The Assembly concurred.**

Debt Service. The unrestricted budget includes \$2.9 million for debt service expenditures. This is \$1,150 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 recommended \$0.2 million less than requested for debt service on general obligation bonds.* **The Assembly concurred.**

Other Operations. Excluding the items noted previously, the request includes \$17.1 million for all other operations, which is \$0.2 million or 1.5 percent more than the revised allocation. This includes spending on building maintenance and grounds keeping services, legal services, testing services, capital improvements, and information technology purchases. These same expenditures are 7.4 percent less than spent in FY 2016 and 5.0 percent more than spent in FY 2017. The increase to the revised allocation includes \$69,919 more for utilities, \$93,083 more for maintenance and repairs, \$61,827 more for computers and \$11,172 more for insurance. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Promise Scholarship. The 2017 Assembly established a new Rhode Island Promise Scholarship program to provide two years of free tuition and mandatory fees at the Community College of Rhode Island for qualifying Rhode Island students. The 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. Other non-mandatory fees are not covered by this program. Recipients are required to maintain a 2.5 grade point average and must commit to remaining in Rhode Island after graduation. The program is being implemented for four cohorts of students beginning in FY 2018 with the

last cohort entering in the fall of 2020. The legislation requires a program evaluation be conducted on or before July 1, 2020, after the second cohort finishes.

The enacted budget includes \$2.8 million for FY 2018 in the budget of the Office of Postsecondary Commissioner. The assumed FY 2019 impact would be \$5.9 million. The Council's request for \$6.4 million is \$3.6 million more than the revised allocation and \$0.5 million more than assumed for FY 2019 at the time of the FY 2018 enactment. This largely reflects higher participation than assumed in the enacted budget. The enacted budget does not contemplate attrition through the year and assumed a 20 percent increase in enrollment; the Community College reported a 43 percent increase of first-time full-time students in a report submitted in November 2017.

The Governor recommended funding as requested. The Governor recommended an additional \$0.2 million from general revenues for scholarships for FY 2018 based on fall enrollment. The Governor also recommended that \$0.5 million of funds in the enacted budget for information technology support at all institutions be redirected to the Community College to use for outreach and student service activities related to the program.

Based on the enrollment and attrition experience of the first cohort of students in FY 2018, the Assembly reduced FY 2019 funding by \$0.4 million. This assumes that the cohort enrolling in the fall of 2018 is 25.0 percent larger than the cohort that enrolled in the fall of 2017. It also assumes that attrition between the fall and spring semester for the second cohort mirrors the experience of the first cohort with 16 percent attrition, and that 46 percent of all first-time, full-time students that enroll as part of the second cohort have their tuition fully supported by the Promise Program, which also is the experience of the first cohort.

Restricted Budget. The restricted budget request is for \$52.4 million, which is \$3.2 million or 6.5 percent more than the enacted budget and \$2.3 million or 4.3 percent less than the revised allocation. Changes to the enacted budget include the \$3.8 million increase in student aid for the Rhode Island Promise Scholarship program shown as a restricted expenditure in the Community College's budget. This expense is also budgeted in the Office of Postsecondary Commissioner. Other changes include a \$1.0 million decrease for capital improvements funded from Rhode Island Capital Plan funds for the Knight Campus Renewal project, consistent with its capital budget request. *The Governor recommended \$1.0 million less than requested from Rhode Island Capital Plan funds.* **Based on delays in several components of the project, the Assembly reduced FY 2018 funding by \$3.6 million and shifted \$0.6 million of it to FY 2019. Projects are described in detail in the Capital Budget section of this publication.**

Rhode Island State Council on the Arts

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 932,540	\$ 865,493	\$ 931,901	\$ 950,201
Contracted Services	45,200	49,200	45,200	45,200
Subtotal	\$ 977,740	\$ 914,693	\$ 977,101	\$ 995,401
Other State Operations	143,570	196,860	184,580	184,580
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,645,000	1,616,477	1,591,865	1,591,865
Capital	306,000	360,200	360,200	360,200
Operating Transfers	-	-	-	-
Total	\$ 3,072,310	\$ 3,088,230	\$ 3,113,746	\$ 3,132,046
Sources of Funds				
General Revenue	\$ 1,945,056	\$ 1,925,553	\$ 1,989,693	\$ 2,007,993
Federal Aid	781,454	751,796	719,053	719,053
Restricted Receipts	-	10,881	5,000	5,000
Other	345,800	400,000	400,000	400,000
Total	\$ 3,072,310	\$ 3,088,230	\$ 3,113,746	\$ 3,132,046
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island Council on the Arts requested \$3.6 million, \$0.5 million more than enacted from all sources, including \$0.6 million more from general revenues, \$62,754 less from federal funds, and \$5,000 more from restricted receipts. 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, \$0.7 million less than the unconstrained request.

The Governor recommended \$3.1 million from all sources, which is \$41,436 more than enacted, including \$44,637 more from general revenues. The Governor's budget adds \$45,750 from general revenues for centralized services transferred from the Department of Administration. Excluding the cost of centralized services, the recommendation is \$4,314 less than enacted, including \$1,113 less from general revenues and \$0.5 million less than requested. As of the pay period ending January 20, the Council had one vacancy. The Assembly concurred with the recommendation and provided an additional \$18,300 from general revenues to reflect statewide cost-of-living adjustments.

Target Issues. The Budget Office provided the Council with a general revenue target of \$1.8 million. The amount includes current service adjustments of \$7,185 and a 10.0 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, adjusted for centralized services expenses. The enacted budget is \$0.1 million above the target.*

FY 2019 Budget	Budget Office		RISCA	Difference		
FY 2018 Enacted	\$	1,945,056	\$	1,945,056	\$	-
Current Service Adjustments		7,185		2,862		-
New Initiatives		-		585,000		585,000
Change to FY 2018 Enacted	\$	7,185	\$	587,862	\$	585,000
FY 2019 Current Service/Unconstrained Request	\$	1,952,241	\$	2,532,918	\$	585,000
Target Reduction/Initiatives		(137,724)		(718,401)		(580,677)
FY 2019 Constrained Target/Request	\$	1,814,517	\$	1,814,517	\$	-
Change to FY 2018 Enacted	\$	(130,539)	\$	(130,539)	\$	-

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. The Governor’s revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. *For the Arts Council, the budget identifies \$24,497 in savings from the voluntary retirement incentive program. The position was immediately filled, and the FY 2019 recommendation reflects continued savings of \$14,867.* **The Assembly concurred.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget did not include any funding set aside pending the outcome of contract negotiations.* **The Assembly provided \$18,300 from general revenues.**

Discretionary Grants. The Council requested \$1.0 million from general revenues for discretionary grants to various educational programs, individual artist and arts organizational programs, which is \$0.4 million more than enacted, in order to achieve its goal of \$1.0 million in discretionary funding.

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. The increase is not directed to any specific program. 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. 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 excluded the additional funding and further reduced the request by \$133,401. *The Governor recommended the enacted amount of funding.* **The Assembly concurred.**

VSA Arts Disability Grant. The Council requested \$150,000 from general revenues for a new initiative to support Vision Strength Access Arts Rhode Island, a statewide non-profit arts and education organization operated by, with and for individuals with disabilities.

The national Vision Strength Access organization was founded in 1974 as an educational affiliate of the John F. Kennedy Center for the Performing Arts. Vision Strength Access Arts Rhode Island was incorporated, with support from the Rhode Island State Council on the Arts, in 1986 and was awarded 501(c)(3) non-profit status in 1988. The Kennedy Center has notified its affiliates nationwide that funding

will be discontinued in FY 2019; the Council intends to support access to the organization's current initiatives over the next year as it explores ways to provide the services currently provided by the organization. The Council plans to request an additional full-time equivalent position in FY 2020 to support in-sourcing the initiatives currently supported by the organization.

The Council excluded this from its constrained request. *The Governor did not recommend this initiative.*
The Assembly concurred.

Sales and Use Tax Promotion. The Council requested \$25,000 from general revenues for a new initiative to promote the Rhode Island sales and use tax exemption for original artwork established in 2013. This includes works of print, performance, and fine arts by writers, composers, performance and visual artists residing and conducting business in the state. The Council intends to use the funds to place ads in regional and national arts publications and media outlets and work with tourism entities to promote the program. The state's tourism website makes several mentions of the sales and use tax exemption on artwork.

This sales tax exemption is estimated to have resulted in revenue losses of \$1.6 million in FY 2015 and FY 2016, and \$1.7 million in FY 2017, from taxable bases of \$23.1 million, \$23.6 million, and \$24.4 million respectively, from the most recent data available. Rhode Island is the only New England state to exempt works of art from sales and use taxes.

The Council's constrained request excludes this funding. *The Governor did not recommend this initiative.*
The Assembly concurred.

Federal Grants. Consistent with the revised request, the Council requested \$62,754 less than enacted from federal National Endowment for the Arts funds to reflect the actual award amount. The grant includes \$381 more than enacted for salaries and benefits for 2.0 full-time equivalent employees, \$10,000 less than enacted for operating expenses, and \$53,135 less for grant support for individuals and organizations to help support the arts and encourage artists to continue to make the arts visible in the community. *The Governor recommended \$353 more than requested to reflect statewide benefit changes consistent with current staffing.* **The Assembly concurred.**

Rhode Island Foundation Grants. Consistent with the revised request, the Council requested \$5,000 more than enacted from restricted receipts to reflect additional Rhode Island Foundation grant support for the Council's Expansion Arts Program. This represents the third year of continued support for the Council's Expansion Arts Program from the Rhode Island Foundation. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Grants. Consistent with the enacted budget, the Council requested \$575,000 from general revenues for its remaining grant programs. The request includes the enacted amounts of \$200,000 for the Council's competitive pool grants, and \$375,000 for Providence Waterfire. The 2016 Assembly ended the legislative grant program and provided these appropriations in place of the prior funding. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

Other Salaries and Benefits. The Council requested \$736,158, which is \$2,602 more than enacted from general revenues for the remaining 6.6 full-time equivalent positions, including 4.0 in the Council on the Arts and 2.6 in the Film and Television Office. *The Governor recommended \$1,373 less than enacted to fully fund the authorized level of 8.6 full-time equivalent positions to reflect turnover savings from a retirement and offset by statewide medical benefit adjustments.* **The Assembly provided \$18,300 more than enacted to reflect cost-of-living adjustments**

Other Operations. The Council requested \$86,560, \$260 more than enacted from general revenues for all other expenses. The request includes \$46,760 from general revenues, to reflect actual expenditures, and

the enacted amount of \$39,800 for Percent for Art operations. The request is \$1,034 less from general revenues than FY 2017 actual spending adjusted for a one-time expenditure. *The Governor recommended funding as requested.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$45,750 from general revenues for the Arts Council's share of centralized services. This includes \$12,160 for human resources support and \$33,590 for information technology services. **The Assembly concurred.**

Percent for Art Program. The Council requested the enacted amount of \$0.3 million for the Percent for Art program for public art projects at various new state owned facilities. *The Governor recommended \$54,200 more than enacted to reflect historical expenditure levels.* **The Assembly concurred.**

Rhode Island Atomic Energy Commission

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,087,200	\$ 1,073,845	\$ 1,080,965	\$ 1,106,642
Contracted Services	1,087	1,087	1,109	1,109
Subtotal	\$ 1,088,287	\$ 1,074,932	\$ 1,082,074	\$ 1,107,751
Other State Operations	149,806	246,665	226,219	226,219
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	66,280	93,929	162,817	162,817
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,304,373	\$ 1,415,526	\$ 1,471,110	\$ 1,496,787
Sources of Funds				
General Revenue	\$ 982,157	\$ 1,029,227	\$ 1,053,231	\$ 1,078,908
Federal Aid	-	36,888	-	-
Restricted Receipts	-	-	99,000	99,000
Other	322,216	349,411	318,879	318,879
Total	\$ 1,304,373	\$ 1,415,526	\$ 1,471,110	\$ 1,496,787
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island Atomic Energy Commission requested \$1.3 million from all sources, including \$1.0 million from general revenues and \$0.3 million from University of Rhode Island research funds. This is \$4,342 more than enacted, including \$8,533 more from general revenues and \$4,191 less from University of Rhode Island research funds. The Commission requested the authorized level of 8.6 positions.

The Governor recommended \$0.2 million more than enacted from all sources including \$0.1 million more than enacted from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$0.1 million more than enacted from all sources and \$11,645 more than enacted from general revenues. The staffing recommendation is at the authorized level of 8.6 positions. The Assembly added \$25,677 from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.

Target Issues. The Budget Office provided the Commission with a general revenue target of \$890,507. The amount includes current service adjustments of \$7,295 and a 10.0 percent target reduction of \$98,945.

The constrained budget submitted by the agency is \$1,239 more than the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding centralized services, the Governor's budget is \$0.1 million more than the target. The enacted budget is \$0.1 million more than the target excluding centralized services.*

FY 2019 Budget	Budget Office		Atomic Energy		Difference
FY 2018 Enacted	\$	982,157	\$	982,157	\$ -
Current Service Adjustments		7,295		7,295	-
Change to FY 2018 Enacted	\$	7,295	\$	8,533	\$ 1,238
FY 2019 Current Service/Unconstrained Request	\$	989,452	\$	990,690	\$ 1,238
Target Reduction/Initiatives		(98,945)		(98,944)	1
FY 2019 Constrained Target/Request	\$	890,507	\$	891,746	\$ 1,239
Change to FY 2018 Enacted	\$	(91,650)	\$	(90,411)	\$ 1,239

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$25,677 from general revenues for FY 2019.**

Reactor Fees. Reactor fees are currently deposited as general revenues and have averaged approximately \$20,000 annually over the past five years. *The Governor proposed that reactor fee revenues go to a new restricted receipt account to be used to maintain the Commission's equipment. The recommended budget includes \$99,000 from these new sources.* **The Assembly concurred.**

Salaries and Benefits. The Commission requested \$1.1 million for salary and benefit costs, including \$0.9 million from general revenues and \$0.2 million from University research funds to fully fund the Commission's 8.6 full-time equivalent positions. This is \$11,439 less than enacted, including \$8,194 less from general revenues and \$3,245 less from University research funds. This reflects current service adjustments and updated employee benefit selections.

The Commission's constrained request includes \$99,043 less from all funds, including \$37,636 less from general revenues and \$61,047 less from University research funds achieved by eliminating 1.0 of the Commission's 8.6 positions. The Health Physicist would be laid off; this figure does not factor in costs associated with funding for unemployment insurance or the impact to resources available for operating expenses. *The Governor recommended \$5,204 more than the unconstrained request primarily to reflect increased statewide benefit rates. As of the pay period ending January 20, the Commission's 8.6 positions were all filled.* **The Assembly added funding for cost-of-living adjustments for state employees mentioned above and concurred with the remainder of the recommendation.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$59,429 from general revenues for centralized information technology services.* **The Assembly concurred.**

Asset Protection. The Commission requested \$50,000 for capital asset protection projects, which is consistent with the enacted amount. The Commission spent \$32,246 on asset protection projects in FY 2017. *The Governor recommended funding as requested.* **The Assembly concurred. A detailed analysis of the project is included in the Capital Budget section of this publication.**

Other Operations. The Commission requested \$182,954 including \$106,125 from general revenues and \$76,829 from University research funds for other expenses such as furniture and equipment, travel, utilities, and maintenance of the facility. This is \$15,781 more than enacted including \$16,727 more from general revenues. Consistent with the FY 2018 revised request, savings from employee benefit selection are being added to building supplies and repairs for which the Commission currently has no identified projects. The remainder of the request is \$3,467 more than FY 2017 reported expenditures.

The Commission's constrained request includes \$85,871 less from all sources, including \$61,308 less from general revenues and \$24,563 less from University research funds achieved by eliminating non-personnel discretionary expenses. This appears to exceed the value of items that could be described as discretionary. *The Governor recommended \$1,238 less than the unconstrained request from general revenues.* **The Assembly concurred.**

Historical Preservation and Heritage Commission

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,644,208	\$ 1,486,440	\$ 1,660,871	\$ 1,686,107
Contracted Services	-	-	-	-
Subtotal	\$ 1,644,208	\$ 1,486,440	\$ 1,660,871	\$ 1,686,107
Other State Operations	61,166	153,728	156,191	156,191
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	784,393	901,380	768,228	610,728
Capital	1,000	1,000	1,000.00	1,000.00
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,490,767	\$ 2,542,548	\$ 2,586,290	\$ 2,454,026
Sources of Funds				
General Revenue	\$ 1,121,134	\$ 1,031,084	\$ 1,187,291	\$ 1,210,054
Federal Aid	860,963	976,203	851,540	696,513
Restricted Receipts	427,700	454,291	465,870	465,870
Other	80,970	80,970	81,589	81,589
Total	\$ 2,490,767	\$ 2,542,548	\$ 2,586,290	\$ 2,454,026
FTE Authorization	15.6	15.6	15.6	15.6

Summary. The Historical Preservation and Heritage Commission requested \$2.4 million, which is \$0.1 million less than enacted from all sources. This includes \$49,219 less from general revenues, \$50,901 less from federal funds, \$7,932 more from restricted receipts, and \$108 more from other funds. The request includes the authorized level of 15.6 full-time equivalent positions.

The Commission also submitted a constrained request that is \$10,000 less than enacted from general revenues than the unconstrained request; however, an additional \$34,000 reduction was erroneously excluded and the constrained reduction was intended to be \$44,000.

The Governor recommended \$2.6 million from all sources, \$95,523 more than enacted, including \$66,157 more from general revenues. The Governor's budget adds \$94,725 from general revenues for centralized services transferred from the Department of Administration. Excluding the cost of centralized services, the recommendation is \$798 more than enacted, including \$28,568 less from general revenues. The recommendation includes 15.6 full-time equivalent positions. As of the pay period ending January 20, the Commission had one vacancy.

The Assembly provided \$2.5 million, including \$22,763 more from general revenues to reflect statewide cost-of-living adjustments and \$0.2 million less from federal funds than recommended.

Target Issues. The Budget Office provided the Historical Preservation and Heritage Commission with a general revenue target of \$1.0 million, including current service adjustments of \$12,322 and a 10.0 percent target reduction of \$0.1 million.

FY 2019 Budget	Budget Office		HPHC		Difference
FY 2018 Enacted	\$	1,121,134	\$	1,121,134	\$ -
Current Service Adjustments		12,322		(49,219)	(61,541)
Change to FY 2018 Enacted	\$	12,322	\$	(49,219)	\$ (61,541)
FY 2019 Current Service/Unconstrained Request	\$	1,133,456	\$	1,071,915	\$ (61,541)
Target Reduction/Initiatives		(110,346)		(44,000)	66,346
FY 2019 Constrained Target/Request*	\$	1,023,110	\$	1,027,915	\$ 4,805
<i>Change to FY 2018 Enacted</i>	\$	<i>(98,024)</i>	\$	<i>(93,219)</i>	\$ <i>4,805</i>

*Adjusted for a presentation error in the budget request

The constrained budget submitted by the Commission is \$4,805 more than the target, reflecting \$44,000 less from general revenue savings from the retirement of the Commission's executive director, and a shift of staffing costs to other sources of funds. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$69,456 above the target, adjusted for centralized services expenses.* **The enacted budget is \$0.1 million above the target.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$94,725 from general revenues for the Commission's share of centralized services. This includes \$62,995 for facilities management and \$31,770 for information technology services. **The Assembly concurred.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget did not include any funding set aside pending the outcome of contract negotiations.* **The Assembly provided \$22,763 from general revenues.**

National Maritime Heritage Grant. The Commission requested \$215,250 from federal funds, \$202,500 more than enacted to reflect a new National Park Service Maritime Heritage grant for the Southeast Lighthouse Tower Cast Iron Restoration, Block Island project. The request shifts \$5,250 for salaries and benefits previously funded by general revenues to this new source.

The request appears to overstate available funding. The total grant award is \$215,250 including an award of \$105,000 for the Southeast Lighthouse Foundation, which requires \$105,000 of matching funds, and \$5,250 of allowable reimbursement funds to administer the grant; the administrative funds do not require a fund match. The Commission is a pass-through organization responsible for oversight of the project.

Subsequent to the budget submission, the Commission noted its request is \$110,250. The request as submitted appears to include the federal award and the required matching funds.

The Governor recommended \$52,500 more than requested to reflect FY 2018 award funds anticipated to be carried over to FY 2019; the Governor's recommendation includes the FY 2018 award in both years. It should be noted that the Governor's recommendation erroneously includes the required matching funds. **The Assembly corrected the recommendation and provided \$112,750, including \$105,000 from**

federal funds for the grant award, and \$7,750 for reimbursement of salaries and benefits to administer the grant, consistent with updated information.

Geographic Information System Clerk. Consistent with its revised request, the Commission requested \$52,326 from general revenues to fully fund a 0.6 full-time equivalent position. Funding for the position was requested in the Commission's FY 2018 budget request, but not approved by the Assembly; it was filled on September 30, 2017 using savings available from the retirement of the Commission's executive director.

The FY 2018 enacted budget included turnover savings equivalent to 0.6 of a full-time position. The Commission had a vacancy equivalent to 0.6 of a full-time position at the time of enactment. The position is considered necessary to operate the geographic information system, commissioned in November 2016 using Hurricane Sandy funding, in partnership with the University of Rhode Island in order to streamline research and project review. The Commission reported it is currently collaborating with the Rhode Island Emergency Management Agency and United States Army Corps of Engineers on a second geographic information system project. *The Governor recommended funding as requested. The Assembly concurred.*

Other Salaries and Benefits. The Commission requested \$1.6 million, which is \$0.1 million less than enacted from all sources for salaries and benefits to fully fund the remaining authorized 15.0 full-time equivalent positions. This includes \$96,295 less from general revenues, \$6,429 more from federal funds, \$7,632 more from restricted receipts and \$108 more from Department of Transportation reimbursement funds. The FY 2019 request appears to underfund salaries and benefits based on improper planning values by approximately \$29,000.

As part of its constrained request, the Commission proposed \$13,000 less than requested, including \$44,000 less from general revenues, and \$3,000 less from the Historic Preservation Loan Fund. The Commission requested to shift \$34,000 of salary and benefit costs to restricted receipts, which were originally allocated to general revenues. However, it is uncertain how the additional general revenue savings would be achieved.

The Governor recommended \$41,213 more than requested, including \$20,678 more from general revenues to fully fund the remaining 15.0 full-time equivalent positions and included statewide benefit adjustments. The Assembly provided \$22,763 from general revenues to reflect statewide cost-of-living adjustments.

Preservation Programs. The Commission requested \$0.5 million, which is \$1,670 more than enacted from federal funds for operations and grant awards for two preservation programs. The request includes \$59,863 for the federal surveying and planning program as well as the enacted level of \$0.4 million from restricted receipts for the revolving loan fund. Annual grants for the National Park Service's Survey and Planning program are determined at the federal level according to a formula that changes on an annual basis. The surveying and planning grant supports initiatives associated with the National Register of Historic Places and preservation of local districts, sites, buildings, structures, and objects significant in American history, architecture, archaeology, engineering, and culture.

Subsequent to the budget submission, the Commission noted its request inadvertently double counted an expense and should only be \$835 more than enacted. *The Governor recommended \$835 less than requested to correct the request. The Assembly concurred.*

Hurricane Sandy Disaster Relief Grant. The Commission excluded its Hurricane Sandy Disaster Relief Grant funds for which \$0.3 million was included in the enacted budget. The grant closed April 2018. Funding was used to support surveys of, and data collection from, archaeological sites uncovered by

Hurricane Sandy, and reimbursement amounts to historic property owners whose properties were damaged by the storm in 2012. *The Governor's recommendation excludes this funding.* **The Assembly concurred.**

Other Operations. The Commission requested \$109,166 for all other operations. This includes \$300 more than enacted from restricted receipts from the sale of Commission publications and copies made by the public.

The request includes the enacted level of \$106,991 from general revenues, \$1,800 from restricted receipts and \$375 from other funds. General revenue expenses include \$30,000 for the Fort Adams Trust, \$17,000 for the Commission's Historic Preservation Conference, \$22,050 for office and administrative expenses, and equipment leasing, \$16,880 for communications and information technology, \$12,441 for travel, and \$8,620 for all other expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Office of the Attorney General

		FY 2018 Enacted		FY 2018 Final		FY 2019 Recommended		FY 2019 Enacted
Expenditures by Program								
Criminal	\$	33,223,064	\$	45,110,119	\$	29,683,312	\$	30,075,358
Civil		5,883,237		5,601,151		6,010,432		6,319,231
Bureau of Criminal Identification		1,670,102		1,605,828		1,690,246		1,731,361
General		3,352,794		3,378,841		3,412,516		3,477,026
Total	\$	44,129,197	\$	55,695,939	\$	40,796,506	\$	41,602,976
Expenditures by Category								
Salaries and Benefits	\$	26,417,624	\$	25,573,334	\$	26,652,629	\$	27,396,599
Contracted Services		486,457		1,166,938		1,963,925		2,026,425
Subtotal	\$	26,904,081	\$	26,740,272	\$	28,616,554	\$	29,423,024
Other State Operations		2,390,715		2,742,744		2,778,551		2,778,551
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		-		-		-		-
Capital		14,834,401		26,212,923		9,401,401		9,401,401
Capital Debt Service		-		-		-		-
Operating Transfers		-		-		-		-
Total	\$	44,129,197	\$	55,695,939	\$	40,796,506	\$	41,602,976
Sources of Funds								
General Revenue	\$	26,194,751	\$	25,502,908	\$	27,152,722	\$	27,959,192
Federal Aid		16,988,288		29,250,563		12,710,334		12,710,334
Restricted Receipts		796,158		792,468		783,450		783,450
Other		150,000		150,000		150,000		150,000
Total	\$	44,129,197	\$	55,695,939	\$	40,796,506	\$	41,602,976
FTE Authorization		235.1		235.1		235.1		237.1

Summary. The Office of the Attorney General’s request is \$42.1 million from all sources, including \$28.4 million from general revenues. This is \$2.0 million less than enacted, including \$2.3 million more from general revenues, \$4.3 million less from federal funds, and \$14,785 less from restricted receipts.

The Office requested 247.1 full-time equivalent positions, 12.0 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 and staff attorneys for the Civil Division and one new position for the general administration program.

The Governor recommended \$40.8 million, including \$27.2 million from general revenues. This is \$3.3 million less than enacted and \$1.3 million less than requested from all sources of funds. Expenditures funded from general revenues are \$1.0 million more than enacted and \$1.3 million less than requested. She included the enacted level of 235.1 positions. Excluding centralized services transferred from the Department of Administration, the recommendation is \$3.4 million more than enacted, including \$0.9 million more from general revenues.

The Assembly provided \$41.6 million, including \$28.0 million from general revenues, and 237.1 positions. The Assembly added \$0.8 million above the recommendation, including \$0.6 million for statewide cost-of-living adjustments, and also added two new 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 \$0.2 million and a 10.0 percent target reduction of \$2.6 million.

FY 2019 Budget	Office of the		
	Budget Office	Attorney General	Difference
FY 2018 Enacted	\$ 26,194,751	\$ 26,194,751	\$ -
Current Service Adjustments	238,830	757,994	519,164
New Initiatives	-	1,497,155	1,497,155
Change to FY 2018 Enacted	\$ 238,830	\$ 2,255,149	\$ 2,016,319
FY 2019 Current Service/Unconstrained Request	\$ 26,433,581	\$ 28,449,900	\$ 2,016,319
Target Reduction/Initiatives	(2,627,429)	(1,017,876)	1,609,553
FY 2019 Constrained Target/Request	\$ 23,806,152	\$ 27,432,024	\$ 3,625,872
Change to FY 2018 Enacted	\$ (2,388,599)	\$ 1,237,273	\$ 3,625,872

The constrained budget exceeds the target by \$3.6 million. The proposals to achieve the reductions are noted among the items described where appropriate. *Excluding the adjustment for centralized services, the Governor's recommendation is \$3.3 million above the target. The enacted budget is \$4.1 million above the target.*

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.6 million from general revenues for FY 2019.*

Civil Division – Justice Reinvestment Initiative (3.0 FTE). The Office requested three new positions for the increased activity anticipated with the passage of certain provisions of the Justice Reinvestment Initiative. This includes two attorneys and one paralegal for total funding of \$0.3 million from general revenues. The Office reported that legislation passed by the 2017 Assembly includes an initiative that allows an individual to complete probation without completing restitution. The Office of the Attorney General is notified of a probation violation by the police or probation authority and has cause to have the violator appear in court. The Office still has the responsibility when there is non-compliance with a restitution order and anticipates increased violations for those who have completed probation but are still not complying.

The Office's constrained request excludes the positions. *The Governor did not recommend the new positions. The Assembly concurred.*

Civil Division - Enhanced Staffing (2.0 FTE). The Office requested \$0.2 million from general revenues to support two new positions: a staff attorney and a paralegal. It should be noted that this was also part of the Attorney General's FY 2015 through FY 2018 requests, but were not recommended by the Governor or approved by the Assembly. The Office reported 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 indicated 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 did not recommend the new positions.* **The Assembly added the positions and \$0.2 million from general revenues.**

Criminal Division – Enhanced Staffing (3.0 FTE). The Office requested \$0.2 million from general revenues for three new positions in the Criminal Division: an attorney and two paralegals. The Office maintains that additional staff is not required because of increased caseload, but because of the complexity of cases. Also, the Office stated its need for additional prosecutors and support staff has been documented and supported through an independent external study by the American Prosecutors Research Institute.

The Office's constrained request excludes the positions. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Bureau of Criminal Identification Division – Enhanced Staffing (3.0 FTE). The Office requested \$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 noted 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 through FY 2018 budgets but were not recommended by the Governor.

The Office's constrained request excludes the positions. *The Governor did not recommend the positions.* **The Assembly concurred.**

General Administration – Enhanced Staffing (1.0 FTE). The Office included \$0.1 million from general revenues for one new operations assistant. The Office reported that as a result of the expansion of the Department into the new facility at the Pastore Center, additional staff will be needed to assist the two current operations staff. The individuals handle facilities and systems maintenance, interact with tradespeople and maintain and distribute supplies throughout the offices occupied by the Department.

The Office's constrained request excludes this position. *The Governor did not recommend the position.* **The Assembly concurred.**

Salaries and Benefits. The Office requested \$27.9 million from all sources, including \$26.9 million from general revenues for other salaries and benefits for the remaining 235.1 positions. This is \$0.4 million more than enacted, including \$0.8 million more from general revenues and \$0.4 million less from federal funds. Changes include \$0.3 million for benefit adjustments consistent with Budget Office planning values and \$0.2 million to restore savings from keeping positions vacant. There is also \$0.4 million more from general revenues to reflect two expiring federal grants and one not yet awarded. The expiring grants are Grants to Encourage Arrest Policies and Traffic Resource Prosecutor. The positions will be paid for through general revenues and staff reassigned within the Criminal Division. There is also a \$0.2 million add related to uncertainty on funding for its Violence Against Women grant, awarded through the state's Department of Public Safety.

The Governor recommended \$0.2 million less than requested, primarily from general revenues from keeping positions vacant offset by statewide benefit increases. **The Assembly added \$0.6 million for the statewide cost-of-living adjustments and realized savings of \$0.1 million from five employees who chose the retirement incentive program in FY 2018.**

Google Settlement Funds - New Building. The FY 2018 enacted budget includes \$14.0 million for the new building and the Office's revised request includes \$15.0 million to complete construction on its new facility at the John O. Pastore Government Center, which should be occupied by May 2018. There is no funding requested in FY 2019 for construction and the request also does not include operating expenses for

the new building. The Office indicated that it will include any costs in its FY 2019 revised budget. The plan is to relocate 35 existing staff, including investigators, consumer protection unit and diversion unit staff and those performing background and fingerprint checks to the new space. Flexible office space will also be made available and 6,000 square feet will be reserved for future expansion and storage. *The Governor recommended funding as requested. The Assembly concurred.*

Google Settlement Funds – Other Projects. The Office’s request includes \$10.4 million for projects funded from Google Settlement funds, \$9.3 million more than enacted. Funding includes \$9.0 million for the 150 South Main Street office, including renovations, office equipment and operating expenses and upgrades to the information technology system, including upgrading the phone system. Consistent with the revised request, the Office included \$0.3 million to rent space in the area while offices at 150 South Main Street are being renovated. *The Governor recommended funding as requested. The Assembly concurred.*

Medicaid Fraud and Patient Abuse Unit – Fraud, Waste and Abuse System. The Office’s request includes \$1.0 million for a new data mining system to enhance the Medicaid fraud unit’s efforts to combat fraud, waste and abuse in the state’s Medicaid program under the Executive Office of Health and Human Services and its umbrella agencies. This includes \$750,000 from Medicaid funds matched by \$250,000 from general revenues and is consistent with the revised request for the new system.

The Governor recommended the \$250,000 general revenue match for the new system over two fiscal years and included \$62,500 for FY 2018 and \$187,500 for FY 2019. However, the Medicaid match is not distributed in the same manner, with \$750,000 for both FY 2018 and FY 2019 which overfunds the project. The Assembly did not provide funding for FY 2018 based on a delay in awarding the contract. It did shift \$62,500 from FY 2018 to FY 2019 to bring the funding to \$250,000 to match the \$750,000 from Medicaid for total funding of \$1.0 million.

Health Care Advocate – Merger Review and Oversight. The Office requested \$41,200 from general revenues for contracted health care oversight assistance and monitoring of future mergers, as well as monitoring those that have been approved by the Attorney General and involve non-profit entities in the Office of the Health Care Advocate. This is consistent with the FY 2018 revised request. *The Governor recommended funding as requested in both years. The Assembly concurred.*

Public Utilities Commission – Review and Oversight. The Office requested \$51,500 from restricted receipts for contracted services to assist the Attorney General with its responsibilities to the Public Utilities Commission for investigations and filings before the Commission. This includes rate design and case review and oversight. This is consistent with the FY 2018 revised request. *The Governor recommended funding as requested in both years. The Assembly concurred.*

Transition Expenses. The Office requested \$58,076 from general revenues for transition costs for the newly elected Attorney General. The current Attorney General is term-limited. This includes \$31,041 for transition staff, \$25,000 for equipment and \$2,035 for other office equipment. The FY 2019 current service adjustments do not include transition costs after the November 2018 election. *The Governor recommended funding as requested. The Assembly concurred.*

Tobacco Litigation Expenses. The enacted budget includes \$42,166 from general revenues for tobacco enforcement litigation expenses which are no longer needed. The Office made a final payment of \$450,000 in its FY 2017 final budget and excluded the enacted funding accordingly. *The Governor recommended funding as requested. The Assembly concurred.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the

staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$29,581 from general revenues for the Office's share of centralized information technology services.* **The Assembly concurred.**

Other Operating Expenses. The Office requested \$2.5 million from all sources, including \$2.2 million from general revenues for all other operations. This includes \$0.8 million for office equipment and supplies, \$0.5 million to rent office space, \$0.4 million for general maintenance and repairs, \$0.2 million for fuel and utility costs, \$0.2 million for information technology support, \$0.1 million for vehicles, \$0.1 million for printing and advertising and \$0.2 million for all other expenses. This is \$0.1 million more than enacted, primarily from general revenues and \$0.1 million less than the revised budget, including \$0.2 million less from general revenues. It is also \$0.2 million more than FY 2017 actual expenses, including \$0.1 million more from general revenues. *The Governor recommended funding as requested.* **The Assembly concurred.**

Asset Protection. The Office requested \$150,000 from Rhode Island Capital Plan funds for its asset protection projects for FY 2019. This is consistent with its capital request and the approved capital plan. Funds are expected to be used for continuous upgrades to its heat, ventilation and air conditioning system, as well as other interior renovations, including office spaces. *The Governor recommended funding as requested.* **The Assembly concurred.**

Department of Corrections

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 9,998,475	\$ 16,479,238	\$ 16,007,926	\$ 16,175,973
Parole Board	1,541,618	1,386,297	1,398,776	1,428,547
Custody and Security	138,678,852	137,984,023	147,279,533	141,718,871
Institutional Support	30,673,288	32,781,065	26,199,266	35,863,846
Institutional Based Rehab/Pop	12,323,935	14,489,357	14,250,500	14,367,039
Healthcare Services	23,800,253	23,484,595	23,906,188	24,186,222
Community Corrections	18,683,844	16,777,129	17,381,316	17,678,921
Total	\$ 235,700,265	\$ 243,381,704	\$ 246,423,505	\$ 251,419,419
Expenditures by Category				
Salaries and Benefits	\$ 185,820,547	\$ 185,475,961	\$ 186,214,393	\$ 190,554,770
Contracted Services	14,775,969	14,776,258	14,564,394	14,739,394
Subtotal	\$ 200,596,516	\$ 200,252,219	\$ 200,778,787	\$ 205,294,164
Other State Operations	16,790,384	30,676,161	30,797,384	30,527,921
Aid to Local Units of Government	2,249,112	-	-	-
Assistance, Grants, and Benefits	-	2,261,546	2,711,546	2,711,546
Capital	16,064,253	10,191,778	12,135,788	12,885,788
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 235,700,265	\$ 243,381,704	\$ 246,423,505	\$ 251,419,419
Sources of Funds				
General Revenue	\$ 218,300,828	\$ 231,267,447	\$ 233,022,846	\$ 237,063,223
Federal Aid	1,581,884	2,253,156	1,591,303	1,796,840
Restricted Receipts	59,368	64,411	59,356	59,356
Other	15,758,185	9,796,690	11,750,000	12,500,000
Total	\$ 235,700,265	\$ 243,381,704	\$ 246,423,505	\$ 251,419,419
FTE Authorization	1,423.0	1,435.0	1,435.0	1,416.0
Prison Population	3,000	2,837	2,865	2,849

Summary. The Department requested \$235.2 million, \$0.5 million less than enacted from all sources of funds, including \$2.5 million more from general revenues. The Department requested 1,451.0 full-time equivalent positions, 28.0 more than the authorized level. The Department's FY 2019 request is based on a population of 2,865, 135 inmates below the enacted level.

The Governor recommended \$246.4 million from all sources, including \$233.0 million from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$3.4 million less than enacted from all sources, which is \$2.9 million less than requested. General revenues would be \$0.6 million more than enacted, \$2.0 million less than requested. The Governor recommended \$1,435.0 full-time equivalent positions, which is 12.0 more than enacted and

16.0 less than requested. The Governor assumed a population of 2,865, consistent with the Department's request.

The Assembly provided \$5.0 million more than recommended including \$4.0 million more from general revenues. The general revenue changes include \$4.7 million more for cost-of-living adjustments for state employees offset by \$400,000 from savings from the voluntary retirement incentive program and \$300,000 in population related savings. Additional funding includes \$0.2 million from federal funds from a new mental health and substance abuse grant received after the budget was submitted and \$750,000 from Rhode Island Capital Plan funds delayed from FY 2018 based on project schedules. It authorized 1,416.0 full-time equivalent positions, 19.0 less than recommended.

Target Issues. The Budget Office provided the Department with a general revenue target of \$198.3 million. The amount includes current service adjustments of \$1.9 million and a 10.0 percent target reduction, adjusted for certain exclusions, of \$21.9 million.

The constrained budget submitted by the Department is consistent with the target when adjusted for an \$8.7 million proposed revenue item. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the recommendation is \$20.6 million more than the target. The enacted budget is \$24.6 million above the target.*

FY 2019 Budget	Department of		
	Budget Office	Corrections	Difference
FY 2018 Enacted	\$ 218,300,828	\$ 218,300,828	\$ -
Current Service Adjustments	1,901,679	2,531,564	629,885
Change to FY 2018 Enacted	\$ 1,901,679	\$ 2,531,564	\$ 629,885
FY 2019 Current Service/Unconstrained Request	\$ 220,202,507	\$ 220,832,392	\$ 629,885
Target Reduction/Initiatives	(21,889,227)	(13,864,142)	8,025,085
FY 2019 Constrained Target/Request	\$ 198,313,280	\$ 206,968,250	\$ 8,654,970
<i>Change to FY 2018 Enacted</i>	\$ (19,987,548)	\$ (11,332,578)	\$ 8,654,970

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$4.7 million from general revenues for FY 2019.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Corrections, the revised budget identifies \$1.8 million from several items. For FY 2019, \$0.4 million of the savings continue. The Assembly concurred and included an additional \$0.4 million in savings from the voluntary retirement incentive program based on 16 individuals opting to take the incentive during FY 2018.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The

state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$14.1 million from general revenues. This includes \$3.2 million for centralized information technology services, \$9.0 million for facilities management, and \$2.0 million for human resources. The Assembly concurred.*

Institutional Corrections

Population. The enacted budget is based on a population of 3,000. The FY 2019 request is based on more current data and assumes a population of 2,865, which is 135 fewer than included in the enacted budget. The Department contracts with a firm to prepare population estimates, which estimated the population for FY 2019 downward to 2,865 and reflects a population level largely consistent with the FY 2018 revised population estimate of 2,853. This is the population upon which the FY 2019 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 2019 enacted. The average population for the first six months of FY 2018 is 2,862.

History	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Request	4,008	3,709	3,416	3,231	3,152	3,170	3,292	3,260	3,059	2,865
Governor	4,008	3,643	3,416	3,231	3,152	3,170	3,292	3,200	3,059	2,865
Enacted	3,767	3,450	3,239	3,194	3,152	3,170	3,292	3,200	3,000	2,849
Revised Request	3,669	3,350	3,264	3,146	3,192	3,239	3,206	3,058	2,853	-
Governor Revised	3,659	3,350	3,265	3,146	3,192	3,239	3,182	2,999	2,853	-
Final	3,551	3,273	3,192	3,146	3,192	3,239	3,183	2,999	2,837	-
Actual	3,502	3,273	3,191	3,160	3,214	3,183	3,068	2,958	2,784	-

The Governor's recommendation assumes a population of 2,865, which is 135 less than enacted and consistent with the request. The enacted budget assumes a population of 2,849, which is 16 less than assumed in the Governor's budget.

Staffing

The Department requested \$187.6 million and 1,451.0 full-time equivalent positions. This is \$1.8 million more than enacted and includes authorization for 28.0 new full-time equivalent positions. The \$1.8 million is \$0.1 million less than the Budget Office's estimate of current service need. The 28.0 new positions are identified in the table below and reflect the Department's intent to focus hiring in certain areas.

Position	Program	FTE
Correctional Officer Training Instructor	Central Management	3.0
Correctional Officers	Custody and Security	16.0
Senior Public Health Specialist	Institutional Based Rehab/Population Management	1.0
Clinical Social Worker	Healthcare Services	2.0
Correctional Officer Hospital II	Healthcare Services	2.0
Health Unit Clerk	Healthcare Services	4.0
Total		28.0

There were 54 correctional officer and 56 non-correctional officer vacancies at the time of the budget submission. The request assumes that 28 non-correctional officer positions will remain vacant and the rest will be filled through attrition.

*The Governor recommended \$186.2 million and 1,435.0 full-time equivalent positions. This is \$0.4 million and 12.0 positions more than enacted. She recommended the 28.0 new positions as requested, but removed 16.0 unidentified positions in order to keep the increase to 12.0. As of the pay period ending January 20, the Department had 89.0 vacancies. **The Assembly concurred with the new positions and eliminated 19.0 vacant positions, which represents half of non-correctional officer vacancies as of May 2018.***

Population: Per Diem Expenditures. The Department requested \$14.3 million, \$0.3 million less 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 2018. 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 \$4,974 per inmate for FY 2017. The enacted budget includes annual inmate costs of \$4,775 and the revised request increases these costs to \$5,009 per inmate. The FY 2019 request includes \$4,996 per inmate for per diem expenditures, \$221 more than enacted and \$13 less than the revised request. *The Governor recommended funding as requested. **Based on FY 2018 spending and a declining population, the Assembly included general revenue savings of \$0.3 million for FY 2019.***

Correctional Officers (16.0 FTE). The Department is requesting to expand the correctional officer training class from 9 weeks to 12 weeks to provide additional training to recruits. Commensurate with this extension, it requested an increase to the number of recruits to be hired from 50 to 70. Because of the additional number of recruits, the Department is requesting \$1.5 million and authorization for 16.0 new correctional officer positions, consistent with its revised request.

At the time of the budget submission, there were 54 vacant correctional officer positions. Class 82 recruits are anticipated to graduate in May with 70 new officers. Because there is currently only enough space to hire 54 of them within the existing cap, the Department is requesting authorization for the other 16. It is likely that the 16 vacancies could occur through attrition; however, the Department must demonstrate the capacity to hire all 70 graduates to satisfy the Department of Justice. *The Governor recommended funding as requested. **The Assembly concurred.***

Construction Supervision. In prior budgets, the Department proposed using Rhode Island Capital Plan funds to pay for correctional officer overtime when officers are needed to stay with outside vendors performing work at the facilities for security reasons. The Governor previously recommended shifting these overtime costs to Rhode Island Capital Plan funds in fiscal years 2014 and 2015. Instead, beginning with FY 2016, the Assembly's budget assumed the Department would integrate overtime expenses into the project costs incurred by the vendor as part of its capital budget request; the Department has not yet begun this process.

*The Governor's revised budget assumes that \$189,000 of overtime costs be shifted from general revenues to Rhode Island Capital Plan projects as part of the undistributed savings. The FY 2019 recommendation assumes that \$0.3 million of overtime costs can be shifted. While general revenues are reduced, a corresponding increase has not been made to the projects funded by Rhode Island Capital Plan funds. **The Assembly concurred.***

High Security Overtime. The High Security Center has the highest cost per inmate of all the facilities. The population consists of inmates who require especially close custody because they pose a significant threat to the safety, security and orderly operation of the other facilities or whose enemy situations are so

severe to be placed in a general population environment would pose a considerable risk of bodily injury. The High Security Center can house up to 166 inmates, as three of the housing units have double bunks in each cell; however, operational capacity is 138 inmates as double bunks can only be used when the housing unit is used for non-high security inmates such as those in protective custody. As of December 2017, there were 89 inmates, and the facility was at 64.5 percent of its operational capacity.

*The Governor's budget assumes overtime savings of \$1.5 million based on a plan to close housing units in High Security and transfer some inmates to other Department facilities. In addition to producing savings, the consolidation of inmates would allow those transferred from High Security better access to programs. The approved capital plan includes \$250,000 from Rhode Island Capital Plan funds for a study to review options to optimize the functioning of the Department's facilities. **The Assembly concurred.***

Other Institutional Corrections Staffing (9.0 FTE). The Department requested \$161.4 million, primarily from general revenues, for all other staffing expenditures within its institutional corrections programs, including custody and security, institutional support, instructional based rehab/population management, and healthcare services. The request is \$0.3 million more than enacted. The request also includes authorization for 9.0 new full-time equivalent non-correctional officer positions, consistent with its revised request, to address additional resources requested for certain areas. The new positions include 1.0 senior public health officer, 2.0 clinical social workers, 2.0 correctional officer hospital II, and 4.0 health unit clerks.

The budget request assumes that the Department will not fill all its vacant positions but will concentrate on filling only those positions that are critical to carrying out functions in the various units. The Department has chosen to request an increase to its full-time equivalent position cap rather than reducing lower priority positions. *The Governor recommended \$0.4 million more than requested to reflect statewide benefit adjustments. **The Assembly added funding for cost-of-living adjustments for state employees, included \$0.3 million in savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.***

Building Maintenance. Consistent with its revised request, the Department requested an additional \$0.3 million from general revenues for building maintenance and repairs at the Department's facilities based on FY 2016 and FY 2017 spending. The capital budget includes \$3.8 million from Rhode Island Capital Plan funds for asset protection projects for FY 2019. Many of the types of projects being funded from general revenues are likely eligible for Rhode Island Capital Plan funding. *The Governor did not recommend the additional funding. **The Assembly concurred.***

Electronic Medical Records. The Department requested \$0.3 million from general revenues for system maintenance and desktop support for the new electronic medical records system being installed over FY 2017 and FY 2018. This is \$0.3 million more than the enacted budget. The new system was implemented in August 2017 and the new electronic medication administration record component will be implemented in November. The Department reported that the electronic medication administration record module will allow for reports that can track who received medication, who did not show or refused a medication and why. This type of reporting was not available with the previous system and will allow for better controls on medications prescribed to inmates. *The Governor recommended \$0.1 million less than requested; the recommendation does not include funding for desktop support. **The Assembly concurred.***

Medication Assisted Treatment. The Department requested \$2.0 million, or \$2,545 more than enacted, for the medication-assisted treatment program for opioid users that began in FY 2017. 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 reported 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 75.0

percent screened positive for likely substance abuse disorders and 26.0 percent reported frequent opioid abuse. The Department reported that 2,202 people have gone through the program and it estimated that 2,500 people per year, going forward, will be started on or continued on medication-assisted treatment. *The Governor recommended funding as requested.*

The Governor subsequently requested an amendment to add \$0.2 million from a new federal grant intended to augment the medication-assisted treatment program. These funds will be used for screening, assessment, and pre and post release treatment for individuals with co-occurring substance use and mental disorders for the awaiting trial population. The Assembly concurred.

Discharge Planning. The Department requested \$1.4 million for contracted discharge planning services, which is \$135,000 or 9.6 percent more than enacted. The Department has regional contracts for inmates ready to be released into the communities. The Department went out to bid for these services during FY 2018 and the budget request assumes that there will be an increase based on a prevailing wage provision added into the request for proposals. The revised budget request includes an increase of \$111,000.

The Department indicated that discharge planning services are currently not addressing all of the needs of the inmate population. The Department reported that the current vendors have a difficult time keeping staff because of the hourly rates paid by the organizations. As part of the request for proposal for new services, the vendors must pay the prevailing wages for discharge planning positions for those at the Department of Corrections, and the Department hopes that this will keep the staff longer. *The Governor recommended funding as requested. The Assembly concurred.*

Other Institutional Corrections Operations. The Department requested \$28.2 million, primarily from general revenues, for all other institutional corrections' operations including utilities, insurance and office supplies. This is \$31,625 less than enacted from general revenues. Minor adjustments were made to various operating expenditures including grounds keeping and office supplies. *Consistent with the revised recommendation, the Governor recommended \$0.2 million less than requested to bring spending more in line with FY 2017 experience for expenditures such as office supplies, security equipment, maintenance, snow removal, and grounds maintenance. The Assembly concurred.*

Other Programs

Correctional Officer Class 83. The Department's request includes \$0.1 million for recruitment costs for class 83, which will occur in June. The request is \$0.6 million less than enacted for personnel and supplies associated with a delay in the class. The federal government alleges that the Department's entrance exams for correctional officers creates an unintentional adverse impact against certain minorities. The lawsuit seeks to prohibit the Department from using its current exams as part of the correctional officer selection process. As part of the United States Department of Justice settlement agreement, the new training class is being extended from 9 to 12 weeks and the number of recruits is increasing from 50 to 70. Another key component of the settlement is that the Department develop a new exam. The FY 2018 revised request includes \$500,000 to develop a new exam and the Department anticipates recruitment for class 83 beginning at the end of FY 2019. *The Governor recommended funding as requested. The Assembly concurred.*

Correctional Officer Instructors (3.0 FTE)/DOJ Lawsuit. The federal government alleges that the Department's entrance exams for correctional officers create 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. Discussions with the Department of Justice yielded an agreement for the Department to seek to hire 70 recruits from class 83, resulting in an increase from 50 to 70. Additionally, the Department is being required to develop a new exam.

The Department requested an additional \$0.3 million and authorization for 3.0 new full-time equivalent correctional officer training instructor positions, consistent with the revised request to accommodate the longer class time. The Department also requested \$0.6 million from general revenues for other expenditures related to the lawsuit, which is \$0.5 million more than enacted. Expenditures for FY 2019 include \$0.1 million in legal costs and \$0.4 million in a settlement payout. Under the terms of the settlement agreement, any African-American or Hispanic individual who took the exam between 2000 and 2013 is potentially eligible for a portion of the \$450,000. Individuals would have had to have identified themselves as either African American or Hispanic at the time they took the exam and they had to fail either the written or video exam portion. They are ineligible if they failed some other portion of the selection process.

*The Governor recommended \$0.1 million more than requested. This includes \$250,000 for the costs of developing a new exam reflecting the Governor's recommendation that funding for the new exam be split over FY 2018 and FY 2019. This is partially offset by a reduction of \$0.1 million to anticipated legal costs. The Governor recommended the remainder of the request. **The Assembly concurred.***

Cognitive Behavioral Therapy. The Department requested \$1.1 million from general revenues to support its cognitive behavioral therapy program, \$0.4 million less 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. The enacted budget includes \$900,000 for the Department to contract for cognitive behavioral training for 800 probationers and parolees that are designated medium and high risk from the assessment process and \$0.5 million for 4.0 additional probation and parole officers. The contract was awarded to Community Solutions Inc. on October 1, 2017 at a cost of \$450,000 for a partial year of funding. The staff were all hired during the first quarter of FY 2017. The annualized cost of the program will be \$600,000 for FY 2019, which is \$300,000 less than enacted. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$24.5 million for other salaries and benefits for the central management, community corrections and parole board. This is \$0.2 million more than enacted to reflect current service adjustments. The request reflects the Department's plan to continue with a delayed hiring process for non-correctional officer positions. At the time of the budget submission, there were 2.0 vacancies in central management, 2.0 vacancies in the parole board, and 13.0 vacancies in community corrections. The request assumes that most of these vacancies are filled through attrition in other positions.

*The Governor recommended \$10,977 less than requested including \$11,055 less from general revenues. This reflects an additional \$0.1 million for statewide benefit adjustments offset by \$0.1 million in turnover savings as part of the effort to achieve the \$25.0 million of unidentified savings. **The Assembly added funding for cost-of-living adjustments for state employees, included \$0.1 million from voluntary retirement incentive program savings, and concurred with the remainder of the recommendation.***

Staff Development Grants. The Department requested authorization to spend \$0.1 million from federal funds during FY 2019 that support existing staff development programs. The request is \$9,968 less than enacted and largely consistent with FY 2017 spending. 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 recommended funding as requested. **The Assembly concurred.***

Education Grants. The Department requested authorization to spend \$0.2 million from federal funds to support its existing educational programs, including special education for eligible inmates. The request is \$0.1 million less than the enacted budget and more in line with FY 2017 spending. *The Governor recommended funding as requested. **The Assembly concurred.***

Victim Services Grants. The Department requested authorization to spend \$0.2 million from federal funds to support existing victim services programs. This is \$18,372 more than enacted largely to reflect a new Violence Against Women Act grant. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital Projects. The Department requested \$12.7 million from Rhode Island Capital Plan funds for its capital projects scheduled for FY 2019, which is \$3.1 million less than enacted. This reflects revisions to several projects and is consistent with Department's capital budget request. *The Governor recommended \$4.0 million less than enacted and \$1.0 million less than requested.* **The Assembly added \$750,000 from Rhode Island Capital Plan funds based on revised project schedules for two projects. A more detailed description of the capital projects is available in the Capital Budget section of this publication.**

Other Operations. Excluding costs associated with institutional corrections, the Department requested \$5.8 million, predominately from general revenues for all other operations. This includes general maintenance and repairs, drug testing for parolees, leases for copiers, and general office supplies. This is \$0.3 million more than enacted including \$0.2 million more from general revenues, reflecting changes to various expenditures across all programs including postage and supplies consistent with the FY 2018 revised request. *Consistent with the revised recommendation, the Governor recommended \$0.1 million less than requested from general revenues; the recommendation does not include the funding for a classification system study and reduces contracted services for the Parole Board by \$50,000 based on FY 2017 experience. The recommendation also includes \$12,816 more for court costs allocated from the Judiciary for probation offices in court facilities.* **The Assembly concurred.**

Target - Closing High Security Facility. The Department's constrained budget request includes general revenue savings of \$8.2 million for FY 2019 from closing the High Security Center. The proposal correctly indicates that this Center carries the most expensive per capita costs due to the nature of offenders housed at the facility. This proposal assumes inmates 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 2019, the closure would have to begin during FY 2018. This proposal was also submitted as part of the FY 2018 constrained budget. *The Governor did not recommend this proposal; she did recommend \$1.5 million of overtime savings from consolidating some inmates from High Security to other facilities described earlier.* **The Assembly concurred.**

Target – Closure of Minimum Facility. The Department's constrained budget request includes general revenue savings of \$5.7 million for FY 2019 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 savings assumes that 100 inmates would be placed into residential treatment beds at a cost of \$3.0 million, 100 inmates would be transferred to supervised outpatient services at a cost of \$1.0 million and the remaining 105 inmates would move to community confinement supervision, which would require 5.0 new community program counselors and added equipment. It also assumes that the 121.0 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 2019, the closure would have to begin during FY 2018. This proposal was also submitted as part of the FY 2018 constrained budget. *The Governor did not recommend this proposal.* **The Assembly concurred.**

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 was originally designed and first used to house youthful offenders. The facility was closed in 1992 due to the opening of the Medium Moran facility and then re-opened in 1997 as the Donald Price Medium Security facility. The facility was closed again in November 2011 due to continuous decline of the inmate population. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Judicial Department

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Supreme Court	\$ 39,508,752	\$ 38,748,476	\$ 37,928,763	\$ 39,809,049
Defense of Indigent Persons	3,803,166	3,803,166	3,960,979	3,960,979
Commission on Judicial Tenure & Discipline	146,008	148,099	147,386	150,684
Superior Court	23,842,384	23,170,081	24,021,716	24,256,860
Family Court	23,603,777	23,571,331	23,474,761	24,214,203
District Court	13,514,864	13,345,432	13,481,052	13,968,666
Traffic Tribunal	9,468,420	8,757,150	9,571,159	9,763,589
Workers' Compensation Court	8,118,883	8,077,382	8,309,954	8,309,954
Total	\$ 122,006,254	\$ 119,621,117	\$ 120,895,770	\$ 124,433,984
Expenditures by Category				
Salaries and Benefits	\$ 87,457,953	\$ 85,593,962	\$ 87,173,659	\$ 89,296,597
Contracted Services	1,959,532	2,391,838	1,969,125	1,969,125
Subtotal	\$ 89,417,485	\$ 87,985,800	\$ 89,142,784	\$ 91,265,722
Other State Operations	13,165,472	13,549,475	12,959,644	12,959,644
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	11,187,658	10,600,648	11,154,150	10,969,426
Capital	8,235,639	7,485,194	7,639,192	9,239,192
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 122,006,254	\$ 119,621,117	\$ 120,895,770	\$ 124,433,984
Sources of Funds				
General Revenue	\$ 98,964,477	\$ 98,901,366	\$ 100,183,074	\$ 101,994,888
Federal Aid	3,411,144	3,155,538	2,787,644	2,914,044
Restricted Receipts	12,530,633	11,905,866	12,085,986	12,085,986
Other	7,100,000	5,658,347	5,839,066	7,439,066
Total	\$ 122,006,254	\$ 119,621,117	\$ 120,895,770	\$ 124,433,984
FTE Authorization	723.3	723.3	723.5	723.3

Summary. The Judiciary requested \$126.8 million from all sources, including \$104.2 million from general revenues for FY 2019. This is \$4.8 million more than enacted, including \$5.2 million more from general revenues, which reflects an increase of approximately five percent. Consistent with the enacted authorization, the Department requested 723.3 full-time equivalent positions.

The Governor recommended \$120.9 million, including \$100.2 million from general revenues. This is \$5.9 million less than requested, including \$4.0 million less from general revenues. Excluding centralized services transferred from the Department of Administration, the recommendation is \$1.2 million less than enacted from all sources of funds, including \$1.1 million more from general revenues. She included 723.5 positions, 0.2 more than enacted, but it appears the adjustment was made inadvertently. The Assembly

added \$3.5 million, including \$1.8 million from general revenues. It included the enacted level of 723.3 positions.

Target Issues. The Budget Office provided the Judiciary with a general revenue target of \$90.7 million. The amount includes current service adjustments of \$0.7 million and an adjusted 10.0 percent target reduction of \$9.0 million.

The Department did not submit a constrained budget. *Excluding funding added for centralized services, the Governor's budget is \$9.4 million more than the target. The enacted budget is \$11.2 million above the target excluding centralized services.*

FY 2019 Budget	Budget Office	Judiciary	Difference
FY 2018 Enacted	\$ 98,964,477	\$ 98,964,477	\$ -
Current Service Adjustments	736,038	5,247,091	4,511,053
Change to FY 2018 Enacted	\$ 736,038	\$ 5,247,091	\$ 4,511,053
FY 2019 Current Service/ Unconstrained Request	\$ 99,700,515	\$ 104,211,568	\$ 4,511,053
Target Reduction/Initiatives	(8,978,207)	-	8,978,207
FY 2019 Constrained Target/Request	\$ 90,722,308	\$ 104,211,568	\$ 13,489,260
<i>Change to FY 2018 Enacted</i>	\$ (8,242,169)	\$ 5,247,091	\$ 13,489,260

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$2.0 million from general revenues for the Judiciary for FY 2019.*

Staffing. The Judiciary requested \$91.5 million from all sources for salaries and benefits for 723.3 positions. The enacted budget includes \$2.7 million of turnover equivalent to approximately 36.9 positions, but the Judiciary's FY 2019 request does not include any turnover savings. The Judiciary noted that it requested to work with the Budget Office to identify turnover savings the Department believes are reasonable and attainable. As of the pay period ending November 25, 2017, the Judiciary had 35.9 vacant positions.

The Governor recommended \$87.2 million for salaries and benefits, which is \$0.3 million less than enacted. This is \$4.3 million less than requested primarily from general revenues to reflect turnover savings throughout the courts, and there is an increase of \$0.2 million to reflect statewide benefit adjustments. The recommendation includes 723.5 positions, 0.2 more than enacted, but based on information from the Budget Office the adjustment appears to have been made inadvertently. As of the pay period ending January 20, the Judiciary had 44.9 vacant positions. The Assembly included the enacted level of 723.3 positions and \$89.3 million for salaries and benefits. It added \$2.0 million for cost-of-living adjustments for state employees, included \$0.5 million in savings from the voluntary retirement incentive program, and provided additional funding for District Court and Family Court staffing needs.

Restricted Receipts. Excluding the Workers' Compensation Court, which is entirely funded by restricted receipts, the Judiciary requested \$3.8 million from restricted receipts for FY 2019. The restricted receipts are derived, for example, from indirect cost recoveries, fines assessed on individuals convicted of crimes, and a technology surcharge. The requested personnel changes include \$1.1 million less from restricted receipts; the Judiciary is repurposing restricted receipts that the enacted budget assumes for personnel costs to other expenditures, including for work relating to the case management system.

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 provided \$3.8 million, which is \$4,352 more than the request. 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.* **The Assembly concurred.**

Overhead Functions

Pay-Go Judges Pensions. The Department requested \$5.7 million from all sources, including \$5.0 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 \$0.2 million less than enacted from all funds, including \$234,724 less from general revenues and \$3,262 less from restricted receipts to reflect the passing of one judge and two judges’ spouses, as well as updated estimates for newly retired judges. The Judiciary 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 recommended \$0.1 million less than enacted and \$0.2 million more than requested. Based on supporting documents and information from the Budget Office, it appears the recommendation should have been consistent with Judiciary’s requested amount.* **The Assembly reduced general revenues by \$0.2 million to correct the recommendation.**

Case Management System. The Judiciary requested \$0.4 million, including \$39,487 from federal funds and \$0.4 million from restricted receipts from indirect cost recoveries for work relating to the case management system. The system will enable web-based electronic filing for all courts, and will replace the current system that relies on duplicated data input and paper files. The request is \$0.4 million more than enacted, including \$10,513 less from federal funds and \$382,000 more from restricted receipts, including \$18,000 less to reflect the expiration of a two-year grant from the State Justice Institute for best practices and strategies in implementing the system. The restricted receipts also include \$400,000 for developing an online payment plan portal that will be presented to the Information Technology Executive Committee in FY 2018; the current request serves as a placeholder. It should be noted that the Judiciary’s request shifted restricted receipts programmed in the enacted budget for personnel to the case management system. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Court Technology. The Judiciary requested \$3.2 million or \$0.5 million more than enacted, including \$0.2 million more from general revenues and \$0.3 million more 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 \$141,478 more to better reflect anticipated expenditures for contract work for report writing, network support, and applications support and \$59,732 more for software maintenance agreements. *The Governor recommended \$0.1 million less than requested from general revenues for contracted information technology services. This reduction appears to be one of several adjustments made to reduce overall general revenue expenditures to meet the Budget Office current services budget calculations.* **The Assembly concurred.**

Facilities and Operations. The Department requested \$6.0 million, or \$0.2 million less than enacted for contracted services and purchases related to facility repairs, utilities, and maintenance. The funding includes, for example, janitorial services, inspection and repair of elevators and HVAC systems, minor renovations and repairs and other routine building maintenance. The request includes reductions of

\$206,080 from general revenues and \$4,067 from federal funds, and there is an increase of \$26,000 from restricted receipts primarily for replacing work stations that have broken desks and chairs and other limited capability with ergonomically correct work stations. The Judiciary's request reflects its assessment of its anticipated facilities and maintenance needs for FY 2019. *The Governor recommended \$0.1 million more than requested primarily from general revenues. The changes appear to more closely reflect historical expenditures for building maintenance work.* **The Assembly concurred.**

Overhead Functions - Legal. The Department requested \$3.7 million, including \$2.6 million from general revenues and \$1.1 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 \$0.2 million less than enacted, including \$30,781 more from general revenues and \$238,579 less from restricted receipts. The general revenue change primarily reflects anticipated staffing costs for the Appellate Screening Unit, and the restricted receipts decrease is for the Disciplinary Board based on the FY 2017 actual expenditures and the current staffing needs. *The Governor recommended \$10,239 more than requested, including \$6,235 more from general revenues to reflect statewide benefit adjustments.* **The Assembly added \$31,909 for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Other Overhead Functions. The Judiciary requested \$6.7 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 functions, and the planning program. The request is \$43,306 more than enacted, which primarily reflects anticipated staffing costs, specifically a reduction for facilities and operations staffing and increases for the other overhead functions. This includes \$38,768 more for updated employee benefit costs. *The Governor recommended \$20,644 more than requested from general revenues to reflect statewide benefit adjustments.* **The Assembly added \$0.2 million for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Indigent Defense Services. The Department requested \$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 to because of conflicts of interest. In FY 2015 actual expenses were \$3.9 million; \$3.9 million was spent in FY 2016, and \$4.0 million reported for FY 2017. *The Governor recommended \$4.0 million from general revenues, which is \$0.2 million more than enacted and \$0.1 million more than requested.* **The Assembly concurred.**

Interpreters and Translators. The Department requested \$0.3 million, including \$311,000 from general revenues, which is \$3,000 more than enacted for interpreter and translator services for FY 2019. The request also includes the enacted level of \$24,000 from restricted receipts. The Judiciary noted that expenses have increased in recent fiscal years because of federal requirements for language access for which no funding has been provided by the federal government. *The Governor recommended \$3,000 less than enacted from general revenues, which is \$6,000 less than requested. It appears the adjustment is to more closely reflect actual spending in recent fiscal years.* **The Assembly concurred.**

Capital Projects. The Department requested \$7.8 million from Rhode Island Capital Plan funds, or \$0.7 million more than enacted for its capital projects during FY 2019. The request includes funding for work at the Fogarty, Garrahy, Murray, and Licht judicial complexes, 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 Governor recommended \$2.0 million less than requested from Rhode Island Capital Plan funds for FY 2019.* **The**

Assembly shifted \$1.6 million from FY 2018 to FY 2019 to reflect that the Noel project is behind schedule. These projects are discussed in greater detail in the Capital Budget section of this publication.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$98,649 from general revenues for the Judiciary's share of centralized information technology services.* **The Assembly concurred.**

Supreme Court

Collections Unit. The FY 2018 enacted budget assumes that \$0.8 million from restricted receipts will be utilized to fund a new collections unit that would be staffed by 7.0 full-time equivalent positions, including one assistant director, two monitoring evaluation specialists, three monitoring revaluation specialists, and one project manager; the positions would be filled within the agency's current staffing authorization. However, the Judiciary indicated that the collections unit is not going forward given its concerns about turnover in its budget. The Judiciary is repurposing restricted receipts that the enacted budget assumes for personnel costs to other expenditures, including for work relating to the case management system. *As noted previously, the Governor's recommendation reflects use of restricted receipts for personnel costs consistent with the enacted budget and no shift of these expenses to general revenues.* **The Assembly concurred.**

Other Salaries and Benefits. The Judiciary's request includes \$12.3 million from all sources, \$0.4 million more than enacted, for the salaries and benefits of the Supreme Court, including \$1.4 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 requested personnel changes include \$1.1 million less from restricted receipts; the Judiciary is repurposing restricted receipts that the enacted budget assumes for personnel costs to other expenditures, including for work relating to the case management system. The request reflects \$0.2 million for current service adjustments and there is also restoration of turnover savings. As noted previously, the Judiciary's FY 2019 budget request does not include any turnover savings. *The Governor recommended \$1.4 million less than requested, primarily from general revenues, to reflect turnover savings and statewide benefit adjustments.* **The Assembly added \$0.3 million for cost-of-living adjustments, included \$0.2 million in savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Rhode Island Legal Services. The FY 2018 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 2017-H 5175, Substitute A, as amended. The Judiciary requested funding as enacted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Coalition Against Domestic Violence. The FY 2018 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 2017-H 5175, Substitute A, as amended. The Judiciary requested funding as enacted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Judiciary requested \$2.8 million for all other expenses of the Supreme Court. Expenditures are programmed for rental payments, equipment maintenance, information technology and other expenses. This is \$161 more than enacted and includes \$31,182 more from general revenues, \$21 less from federal funds and \$31,000 less from restricted receipts. The requested general revenues include changes for outside legal services, rental expenses, travel costs, and training on information technology updates for the subject matter experts. *The Governor recommended \$19,107 less than requested from general revenues; she did not include the requested increase for the information technology training.* **The Assembly concurred.**

Superior Court

Salaries and Benefits. The Judiciary's request includes \$20.5 million, primarily from general revenues for the salaries and benefits of the Superior Court's 165.7 full-time equivalent positions. This is \$1.0 million more than enacted and reflects \$0.2 million more for current service adjustments and \$0.9 million more to restore turnover savings equivalent to approximately seven positions. There is currently one judicial vacancy in Superior Court, an associate justice position. As noted previously, the FY 2019 budget request does not include any turnover savings. *The Governor recommended \$0.9 million less than requested primarily from general revenues to reflect turnover savings and statewide benefit adjustments.* **The Assembly added \$0.5 million for cost-of-living adjustments, included \$0.1 million in savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Jurors' Fees. The Judiciary requested \$0.6 million, or \$9,000 more than enacted from general revenues for payments to jurors. The Assembly last increased jurors' fees in 1978. Bills were introduced during the 2016 and 2017 legislative sessions to increase the daily jurors' fees to \$35 per day, but none were enacted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Judiciary requested \$1.2 million for all other expenses of the Superior Court including rental expenses, services related to specialty courts, outside legal services, insurance and other expenditures. This is \$18,804 more than enacted, including \$15,059 more from general revenues, \$21,255 less from federal funds, and \$25,000 more from restricted receipts. Major changes reflect anticipated insurance costs and legal and medical services. *The Governor recommended \$24,059 less than requested from general revenues. She did not include a requested increase for insurance based on actual spending in the last two fiscal years and included \$8,900 more for other services based on increasing expenditures in recent fiscal years.* **The Assembly concurred.**

District Court

District Court Bail Unit Staff. The 2017 Assembly added \$250,000 from general revenues for three new District Court bail unit staff to be filled from vacancies within the Judiciary's staffing authorization. The Judiciary indicated that two of the positions had been filled in the second quarter of FY 2018, and it would decide whether to fill the third position once second quarter projections are completed for District Court and the entire Department. If both positions remain filled through FY 2019 and the third position is not filled, there will be an estimated savings of \$30,000 from general revenues. *The Governor's recommendation is consistent with the Judiciary's assumptions regarding new bail unit staff.* **The Assembly added \$0.1 million from general revenues for filling the third position in FY 2019.**

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 increased the number of District Court judges from 12 to 13 and established the Veterans' Calendar in statute. It added 1.0 full-time equivalent position and \$234,000 from general revenues for the new judge position. The Judiciary also receives federal grant awards which allow it to expand operations to serve a larger population of veterans and provide

additional services. The Judiciary requests \$0.2 million less than enacted from federal funds. The Judiciary indicated that a three-year grant is expiring in FY 2018 and noted that additional funding from the grant is not expected. *The Governor added \$144,390 from general revenues in FY 2019 to replace the expiring federal funds.* **The Assembly concurred.**

Other Salaries and Benefits. The Judiciary's request includes \$11.6 million from general revenues, which is \$0.4 million more than enacted for the salaries and benefits for the District Court's other 96.0 full-time equivalent positions. This excludes the bail unit staff and Veterans' Treatment Court items discussed previously. The requested changes reflect \$0.1 million more for current service adjustments and \$0.3 million more to restore turnover savings equivalent to approximately three positions. There is currently one judicial vacancy in District Court, an associate judge position. As noted previously, the Judiciary's FY 2019 budget request does not include any turnover savings. *The Governor recommended \$0.4 million less from general revenues than requested to reflect turnover savings and statewide benefit adjustments.* **The Assembly added \$0.3 million for cost-of-living adjustments and included \$25,338 in savings from the voluntary retirement incentive program. Also, it added \$0.1 million from general revenues to reduce turnover.**

Superior Court Diversion Program. The Judiciary requested \$50,000 from general revenues for additional risk assessments as part of a new Superior Court diversion program, for which no funding is included in the enacted budget. The additional risk assessments are for defendants who score as high risk on a risk screen required by Chapter 342 of the 2017 Public Laws, one of several justice reinvestment bills signed into law on September 28, 2017.

[Staff Note: The Judiciary inadvertently included the funding in District Court instead of Superior Court where it had intended.] *The Governor recommended funding as requested. The recommendation did not correct the error noted.* **The Assembly concurred with the funding and included it in Superior Court.**

Other Operations. The Judiciary requested \$0.3 million for all other expenses for the District Court, including \$198,911 from general revenues and \$60,000 from restricted receipts. Major expenditures include office supplies, printing and insurance. This is \$20,425 more than enacted from general revenues. The largest change is a \$15,158 increase for insurance costs. The Judiciary noted that a claim filed in a judicial tenure and discipline matter resulted in increases in professional liability insurance. *The Governor recommended \$65,009 more from general revenues than requested; most of the additional funding is for drug court activities previously funded from a federal grant that expired.* **The Assembly concurred.**

Family Court

Salaries and Benefits. The Judiciary's request includes \$21.9 million from all sources, \$20.3 million from general revenues for the salaries and benefits of the Family Court's 173.7 full-time equivalent positions. The request is \$1.8 million more than enacted and reflects \$0.2 million more for current service adjustments and \$1.6 million more to restore turnover savings equivalent to approximately 11 positions. As noted previously, the Judiciary's FY 2019 budget request does not include any turnover savings. *The Governor recommended \$1.6 million less than requested primarily from general revenues to reflect turnover savings and statewide benefit adjustments.* **The Assembly added \$0.5 million for cost-of-living adjustments for state employees and included \$0.2 million in savings from the voluntary retirement incentive program. It further added \$0.4 million for attorneys, including \$0.3 million from general revenues and \$0.1 million from available federal funds. The positions will be filled from vacancies within the Judiciary's staffing authorization.**

Child Support Enforcement. The Department requested \$0.9 million, which is \$0.2 million less than enacted 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 recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Judiciary requested \$0.7 million for all other expenses of the Family Court for FY 2019. Major expenditures include mileage reimbursement, office supplies, services related to specialty programs, insurance and auditing services. This is \$0.1 million less than enacted, including \$25,717 more from general revenues and \$125,977 less from federal funds which primarily reflects a reduction for medical services. *The Governor recommended \$27,917 less than requested from general revenues, which reflects a reduction to travel expenditures.* **The Assembly concurred.**

Traffic Tribunal

Salaries and Benefits. The Judiciary's request includes \$8.7 million from general revenues for the salaries and benefits of the Traffic Tribunal's 78.2 full-time equivalent positions. This is \$0.4 million more than enacted and reflects \$0.1 million more for current service adjustments and \$0.4 million more to restore turnover savings equivalent to approximately three positions. As noted previously, the Judiciary's FY 2019 budget request does not include any turnover savings. *The Governor recommended \$0.3 million less than requested to reflect turnover savings and statewide benefit adjustments.* **The Assembly added \$0.2 million for cost-of-living adjustments for state employees, included \$14,259 in savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Other Operations. The request includes \$0.2 million from general revenues for all other expenses of the Traffic Tribunal such as postal services, printing, travel costs, and office supplies. This is \$4,616 more than enacted based on anticipated insurance expenditures. *The Governor recommended funding as requested.* **The Assembly concurred.**

Workers' Compensation Court

Salaries and Benefits. The Judiciary's request includes \$6.8 million from restricted receipts for the salaries and benefits of the Workers' Compensation Court's 50.0 full-time equivalent positions. The request is \$0.2 million more than enacted and reflects \$0.1 million more for current service adjustments and \$0.1 million more to restore turnover savings. As noted previously, the Judiciary's FY 2019 budget request does not include any turnover savings. *The Governor recommended \$20,521 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

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 \$20,000 for outside legal services. The request is \$11,525 less than enacted and primarily reflects a reduction for outside legal services and increases for stenographic and surveyor services. *The Governor recommended funding as requested.* **The Assembly concurred.**

Judicial Tenure and Discipline

Judicial Tenure and Discipline. The Judiciary requested \$0.1 million from general revenues, or \$3,740 more than enacted to support the Commission on Judicial Tenure and Discipline for FY 2019. The requested increase is for staffing costs, including \$1,060 more for current service adjustments and \$2,679 more for restoring turnover savings. The Commission is responsible for conducting investigations of judges suspected of or charged with misconduct. *The Governor recommended \$2,362 less than requested to reflect adjustments to benefit calculations.* **The Assembly added \$3,298 for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Military Staff

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 8,837,758	\$ 8,628,998	\$ 9,182,580	\$ 9,366,784
Contracted Services	1,812,118	1,592,478	1,690,521	1,690,521
Subtotal	\$ 10,649,876	\$ 10,221,476	\$ 10,873,101	\$ 11,057,305
Other State Operations	7,020,793	5,913,911	7,332,672	6,555,358
Assistance, Grants, and Benefits	314,150	274,600	324,600	324,600
Capital	20,193,123	16,069,619	9,130,051	12,355,051
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 38,177,942	\$ 32,479,606	\$ 27,660,424	\$ 30,292,314
Sources of Funds				
General Revenue	\$ 2,634,057	\$ 2,977,683	\$ 3,674,200	\$ 3,081,090
Federal Aid	27,746,960	26,249,971	18,480,072	18,480,072
Restricted Receipts	100,000	50,000	100,000	100,000
Other	7,696,925	3,201,952	5,406,152	8,631,152
Total	\$ 38,177,942	\$ 32,479,606	\$ 27,660,424	\$ 30,292,314
FTE Authorization	92.0	92.0	92.0	92.0

Summary. The Military Staff's request includes \$27.0 million from all sources, including \$3.3 million from general revenues, \$17.6 million from federal funds, \$0.1 million from restricted receipts, \$6.0 million from Rhode Island Capital Plan funds and the enacted level of 92.0 full-time equivalent positions. The requested funding is \$11.1 million less than enacted and reflects corrected general revenue totals for the agency's firefighters request.

The Military Staff also submitted a constrained request that totals \$24.8 million and includes \$2.2 million less from all fund sources than the unconstrained request. *The Governor recommended \$27.7 million from all sources, which is \$10.5 million less than enacted and \$0.6 million more than requested. Excluding centralized services transferred from the Department of Administration, the recommendation is \$11.5 million less than enacted from all sources of funds, including \$0.2 million more from general revenues. The Governor proposed legislation in Article 3 of 2018-H 7200 to reform the injured on duty laws and assumed \$0.3 million of general revenue savings from these changes.* **The Assembly added \$34,204 from general revenues for cost-of-living adjustments for state employees, made adjustments to capital project schedules, and concurred with the Governor's amendment regarding centralized services. The Assembly did not concur with the injured on duty laws and restored \$150,000 of general revenue savings.**

Target Issues. The Budget Office provided the Military Staff with a general revenue target of \$2.4 million. The amount includes current service adjustments of \$10,382 and a 10.0 percent target reduction of \$0.3 million. The constrained budget submitted by the agency is \$0.4 million below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the Governor's budget is \$0.5 million more than the target.* **The enacted budget is \$0.7 million above the target excluding centralized services.**

FY 2019 Budget	Budget Office		Military		Difference
FY 2018 Enacted	\$	2,634,057	\$	2,634,057	\$ -
Current Service Adjustments		10,382		681,209	670,827
Change to FY 2018 Enacted	\$	10,382	\$	681,209	\$ 670,827
FY 2019 Current Service/ Unconstrained Request	\$	2,644,439	\$	3,315,266	\$ 670,827
Target Reduction/Initiatives		(264,444)		(1,318,595)	(1,054,151)
FY 2019 Constrained Target/Request	\$	2,379,995	\$	1,996,671	\$ (383,324)
Change to FY 2018 Enacted	\$	(254,062)	\$	(637,386)	\$ (383,324)

Firefighters Injured on Duty Transfer. The Military Staff requested \$3.6 million, including \$1.0 million from general revenues and \$2.6 million from federal funds for the Rhode Island National Guard firefighters program. The request, which reflects corrected general revenue totals, is \$37,376 more than enacted and shifts \$0.6 million from federal sources to general revenues because federal funds cannot pay the “injured on duty” firefighters. State law allows firefighters injured on duty to receive their regular pay. The Military Staff received a variance from the National Guard Bureau allowing it to use federal funds for firefighter compensation above the federal General Schedule wage cap.

There has been an increase in firefighters injured on duty in FY 2017 and FY 2018; the trend is expected to continue if there are no changes to current law. The budget assumes funding for approximately three injured on duty firefighters based on previous years’ experience, but the Military Staff indicated that as many as eight of its 30.0 full-time firefighting positions have been injured on duty in FY 2018.

The Military Staff also submitted a constrained request that proposed \$1.0 million in general revenue savings from amending current law to place the firefighters under the same workers’ compensation provisions and regulations as the majority of other state employees. *The Governor recommended \$0.6 million from general revenues and \$3.2 million from federal funds. This is \$0.3 million more than enacted, including \$0.2 million more from general revenues for firefighters that are injured on duty. The Governor proposed legislation in Article 3 of 2018-H 7200 to reform the injured on duty laws and assumed \$0.3 million of general revenue savings from these changes.* **The Assembly did not concur with the legislation and restored general revenue savings of \$150,000, based on FY 2018 experience.**

Cybersecurity and Activations. The Military Staff requested 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 funding is also utilized to support the activation of National Guard troops to provide support to civil authorities during both emergency and non-emergency events. In FY 2018, \$22,920 has been spent for activations for the Bristol Fourth of July Parade and the National Governors Association conference. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget does not include any funding set aside for the result of contract negotiations.* **The Assembly included \$34,204 for the Military Staff.**

Other Salaries and Benefits. The Military Staff requested \$5.4 million for salaries and benefits including \$0.9 million from general revenues and \$4.4 million from federal funds for the remaining 62.0 full-time equivalent positions. This is \$13,109 more than enacted, including \$64,950 more from general revenues and \$51,841 less from federal funds. This includes an increase of \$0.1 million to reflect benefit rate changes. The FY 2019 request includes \$165,236 less for these 62.0 positions than the FY 2018 revised

request. The agency noted that it requested \$133,629 less than intended from federal funds for salaries in FY 2019 because of typographical errors and it has notified the Budget Office of this discrepancy. With the corresponding benefits, this would be an estimated increase of \$193,735. Adjusted for that, the request is \$206,844 more than enacted and \$28,499 more than the revised request.

The Military Staff also submitted a constrained request that would reduce funding by \$1.2 million, including \$0.3 million from general revenues, which would be achieved by eliminating 13.0 full-time equivalent positions. The affected positions would include seven maintenance personnel, two electricians, one operations/maintenance coordinator, one engineer/technician, and two systems specialists in the Facilities Maintenance Office. The agency indicated that eliminating these 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 over the last three fiscal years, the Assembly added 11.0 maintenance positions that were requested by the Military Staff and recommended by the Governor.

*The Governor recommended \$0.1 million more than requested from all sources, including \$140,005 more from federal funds and \$53,592 less from general revenues. This includes a \$0.1 million increase for the correction to federal funds, general revenue reductions of \$3,349 to reflect statewide medical benefit savings, and \$50,243 for additional turnover savings. As of the pay period ending January 20, the agency had 10.0 vacant positions. **The Assembly concurred.***

Counterdrug Asset Forfeiture. The Military Staff's request includes \$1,032,450 from federal funds, which is \$1.0 million more 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 supplies in support of the Guard's counterdrug operations. Funding in FY 2019 will be utilized primarily to construct a new counterdrug facility at Camp Fogarty in East Greenwich. Total Google settlement funds allocated to the Military Staff are \$5.0 million; as of the end of FY 2017, the Staff has spent \$654,680. *The Governor recommended funding as requested. **The Assembly concurred.***

Military Funeral Honors. The Military Staff requested \$119,600 or \$10,450 more than enacted from general revenues to reflect the projected cost for military funeral honors in FY 2019. The request is consistent with the agency's FY 2018 revised request; FY 2017 spending was \$124,050. 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 recommended funding as requested. **The Assembly concurred.***

Education Benefits. The Military Staff requested 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; any expenses above \$100,000 are borne by the institutions. *The Governor concurred. **The Assembly concurred.***

Facilities Maintenance. The Military Staff requested \$4.5 million, including \$0.4 million from general revenues and \$4.1 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 \$30,583 more than enacted including \$72,196 less from general revenues and \$102,779 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 recommended \$6,151 less than requested from general revenues, which more closely reflects expenditures in recent years for maintenance and repairs. **The Assembly concurred.***

Utilities. The Military Staff requested \$2.7 million for electricity, fuel, water and sewer payments, which are shared expenses with the National Guard. The request is \$0.4 million less than enacted, including a decrease of \$472,147 from federal funds and an increase of \$83,360 from general revenues for the state share. The requested changes are based on the anticipated usage and rates for FY 2019 and include updated estimates for the new Quonset simulator building. Shares of general revenues and federal funds are dependent on the anticipated usage in buildings that vary from 100 percent federally funded, 75 percent from federal sources and 25 percent from general revenues, or 50 percent each from federal funds and general revenues. *The Governor recommended funding as requested.* **The Assembly concurred.**

Quonset Air National Guard Facilities. The Military Staff requested \$2.5 million or \$9.8 million less than enacted from federal funds for various capital projects at the Quonset Air National Guard base, which are funded solely from federal National Guard Bureau funds. The work in FY 2019 includes upgrades to the Quonset airfield instrument landing system, demolishing a building to make way for a reconfigured entry control facility, and annual base-wide maintenance and repairs. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Capital Projects. The Military Staff requested \$6.0 million or \$2.0 million less than enacted, including \$0.4 million less from federal funds and \$1.7 million less from Rhode Island Capital Plan funds to be used for capital projects in FY 2019 at buildings under its purview. The largest adjustment is \$1.7 million less for the Joint Force Headquarters Building based on planned work and an updated schedule. The Military Staff inadvertently requested \$1.1 million from Rhode Island Capital Plan funds for the Armory of Mounted Commands, Bristol Readiness Center, and Burrillville Regional Training Institute projects; it noted there should be no funding for these projects in FY 2019. Corrected for that, the request is \$3.1 million less than enacted. *The Governor recommended \$0.6 million less than requested from Rhode Island Capital Plan funds.* **The Assembly adjusted the Joint Force Headquarters, Armory of Mounted Commands, and Bristol Readiness Center project schedules and concurred with the remainder of the recommendation. A detailed analysis is included in the Capital Budget section of this publication.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$0.9 million from all fund sources, including \$0.8 million from general revenues for the Military Staff's share of centralized services. This includes \$0.8 million for facilities management, \$0.1 million for human resources, and \$35,470 for information technology services.*

The Governor subsequently requested an amendment to correct the inadvertent inclusion of \$0.8 million of these expenditures from general revenues for the Cranston Street Armory in the Military Staff's budget; the amendment includes these costs in the Department of Administration's budget. **The Assembly concurred with the amended recommendation.**

Other Operations. The Military Staff requested \$1.1 million for all other expenses for the National Guard. The request includes \$37,158 less than enacted, which reflects \$10,732 less from general revenues, \$26,426 less from federal funds, and the enacted level of \$0.1 million from restricted receipts for the Military Family Relief Fund. The changes reflect numerous adjustments including to supplies, information technology, insurance and travel expenses. The largest change is a \$31,559 reduction for building supplies and equipment; this better reflects actual expenditures in the last two completed fiscal years. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rhode Island Emergency Management Agency

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 3,416,526	\$ 3,194,505	\$ 3,628,925	\$ 3,563,979
Contracted Services	870,006	870,006	386,487	386,487
Subtotal	\$ 4,286,532	\$ 4,064,511	\$ 4,015,412	\$ 3,950,466
Other State Operations	2,980,716	3,164,812	5,351,925	5,351,925
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	9,132,990	9,632,990	7,033,436	7,033,436
Capital	2,054,414	2,244,164	3,989,414	3,989,414
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 18,454,652	\$ 19,106,477	\$ 20,390,187	\$ 20,325,241
Sources of Funds				
General Revenue	\$ 1,734,470	\$ 1,891,382	\$ 2,108,891	\$ 2,043,945
Federal Aid	14,775,673	15,083,062	16,335,897	16,335,897
Restricted Receipts	450,095	447,869	450,985	450,985
Other	1,494,414	1,684,164	1,494,414	1,494,414
Total	\$ 18,454,652	\$ 19,106,477	\$ 20,390,187	\$ 20,325,241
FTE Authorization	32.0	32.0	32.0	32.0

Summary. The Rhode Island Emergency Management Agency requested \$27.2 million, including \$1.9 million from general revenues, \$16.3 million from federal funds, \$0.5 million from restricted receipts, and \$8.5 million from Rhode Island Capital Plan funds. This is \$8.7 million more than enacted including \$0.2 million more from general revenues, \$1.6 million less from federal funds, \$228 less from restricted receipts, and \$7.0 million more from Rhode Island Capital Plan funds. The Agency requested 32.0 positions, consistent with the enacted authorization.

The Agency also submitted a constrained request that includes \$0.2 million less from general revenues than its unconstrained request. The savings would be achieved through unidentified staffing reductions. *The Governor recommended \$20.4 million from all sources, which is \$1.9 million more than enacted and \$6.8 million less than requested. Excluding centralized services transferred from the Department of Administration, the recommendation is \$1.7 million more than enacted from all sources of funds, including \$0.2 million more from general revenues. The Governor included 32.0 positions, consistent with the authorized level. As of the pay period ending January 20, the Office had 4.0 vacant positions. The Assembly reduced general revenues by \$0.1 million to reflect cost-of-living adjustments offset by turnover savings.*

Target Issues. The Budget Office provided the Agency with a general revenue target of \$1.7 million. The amount includes current service adjustments of \$4,753 and a 10.0 percent target reduction of \$52,105, adjusted for certain exclusions.

The constrained budget submitted by the agency is essentially consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding funding added for centralized services, the Governor's budget is \$236,016 more than the target. The enacted budget is \$171,070 above the target excluding centralized services.*

FY 2019 Budget	Emergency		Difference
	Budget Office	Management	
FY 2018 Enacted	\$ 1,734,470	\$ 1,734,470	\$ -
Current Service Adjustments	4,753	193,817	189,064
Change to FY 2018 Enacted	\$ 4,753	\$ 193,817	\$ 189,064
FY 2019 Current Service/ Unconstrained Request	\$ 1,739,223	\$ 1,928,287	\$ 189,064
Target Reduction/Initiatives	(52,105)	(241,165)	(189,060)
FY 2019 Constrained Target/Request	\$ 1,687,118	\$ 1,687,122	\$ 4
<i>Change to FY 2018 Enacted</i>	\$ (47,352)	\$ (47,348)	\$ 4

Statewide Communications Network. The Agency requested \$3.4 million from all funds, including \$1.4 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 is \$0.1 million more than enacted from general revenues, which primarily reflects \$85,083 more for the FY 2019 cost of the two-year renewal contract with Motorola to maintain the radio system. The federal funds are utilized for major maintenance costs, heating, ventilation, and air conditioning systems, and the replacement of radio control boards, and Rhode Island Capital Plan funds are also utilized for proposed upgrades to the network. *The Governor recommended \$851 more than the unconstrained request from general revenues to reflect adjustments to benefits. The Assembly concurred.*

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside for the result of contract negotiations. The Assembly included \$16,054 for FY 2019.*

Other Salaries and Benefits. The Agency requested \$3.4 million, including \$0.4 million from general revenues, \$2.8 million from federal funds, and \$0.2 million from restricted receipts for other salaries and benefits. This is \$0.2 million more than enacted, including \$72,572 more from general revenues, \$106,252 more from federal funds, and \$7,962 less from restricted receipts. There is an increase to reflect benefit rate changes offset by employee benefit selections, and a \$0.2 million increase to restore turnover savings. It appears the Agency inadvertently requested \$89,190 less than it intended for retirement costs. Corrected for that, the request would be \$260,052 more than enacted.

The Agency's request includes a constrained budget proposal to reduce staffing by \$0.2 million from general revenues. The savings would be achieved through staffing reductions. The Agency did not specifically identify the positions that would be eliminated. *The Governor recommended fully funding the Agency's 32.0 authorized positions. She included \$10,663 more than requested, including \$1,362 more from general revenues to reflect adjustments to benefit calculations. The Assembly reduced general revenues by \$81,000, which is equivalent to less than one vacant position. Since FY 2015, the Agency has always had at least two vacant positions and has averaged over five vacancies during that period.*

Disaster Funding. The Agency requested \$2.0 million, which is \$1.6 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 2019 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 recommended funding as requested. The Assembly concurred.*

Emergency Operations and Performance Grants. The Agency requested \$3.8 million from federal funds for emergency operation expenditures. This is \$0.7 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 recommended funding as requested.* **The Assembly concurred.**

Homeland Security Grants. The Agency requested \$6.1 million from federal funds for homeland security related upgrades throughout the state. The request is \$4.3 million more than enacted, which includes \$4.2 million for a homeland security grant not included in the enacted budget. The Agency indicated that it was notified about the grant award in fall 2017, and the funds will be utilized to address state-wide vulnerabilities that have been identified through the Agency's annual threat and hazard identification and risk assessment. The Agency also included funding from this grant in its FY 2018 revised request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Federal Grants. The Agency requested \$1.6 million from federal funds for all other grant awards and related expenditures. The request is \$2.0 million less than enacted to reflect projected awards and updated expenditure plans. Changes to grant funding reflect the Federal Emergency Management Flood Clean Up reimbursements and staff training for emergency response. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital Projects. The Agency's operating request includes \$7.0 million from Rhode Island Capital Plan funds excluding the funding for the Rhode Island Statewide Communications Network, discussed previously. The funding, which is not included in the enacted budget, reflects the updated request to refurbish a state-owned building on Colorado Avenue in Warwick for its use and construct a steel-framed building to store vehicles and equipment. The Agency also included \$1.0 million from federal funds for these purposes in FY 2019. The approved plan still assumes a portion of the operation of the current headquarters would be transferred to the Agency 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 did not recommend the newly requested Rhode Island Capital Plan funds.* **The Assembly concurred. A detailed analysis of the project is included in the Capital Budget section of this publication.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget adds \$0.2 million from general revenues for the Emergency Management Agency for its share of centralized services. This includes \$43,775 for human resources and \$141,982 for information technology services.* **The Assembly concurred.**

Other Operations. The Agency requested \$351,830 from all funds, including \$91,920 from general revenues and \$259,910 from restricted receipts for all other expenses. This is \$7,085 more than enacted, including \$1,105 less from general revenues for minor adjustments to supplies, telephone, travel and other expenditures. The Agency's request for restricted receipts includes \$63,190 for funding available through recovery of indirect costs on some of its federal grants, which is \$8,190 more than enacted. *The Governor recommended \$7,366 less from general revenues than requested and \$8,471 less than enacted, largely based on expenditures in recent fiscal years.* **The Assembly concurred.**

Department of Public Safety

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Program				
Central Management	\$ 11,933,952	\$ 7,460,232	\$ 7,903,482	\$ 7,728,386
E-911	5,894,522	5,381,649	5,899,730	6,968,614
Fire Marshal*	4,231,136	4,860,893	-	-
Capitol Police	3,848,421	4,042,171	4,537,043	4,500,764
Sheriffs	20,089,022	19,641,987	19,938,816	20,696,695
Municipal Police Training Academy	508,779	749,124	625,982	625,982
State Police	74,471,254	79,679,545	84,179,629	83,984,277
Total	\$ 120,977,086	\$ 121,815,601	\$ 123,084,682	\$ 124,504,718
Expenditures by Category				
Salaries and Benefits	\$ 82,087,922	\$ 97,510,523	\$ 100,315,394	\$ 101,135,430
Contracted Services	850,985	1,231,117	750,859	750,859
Subtotal	\$ 82,938,907	\$ 98,741,640	\$ 101,066,253	\$ 101,886,289
Other State Operations	10,775,681	13,083,422	11,785,168	11,785,168
Aid to Local Units of Government	-	16,704	-	-
Assistance, Grants, and Benefits	26,643,380	6,082,110	6,103,610	6,103,610
Capital	619,118	3,891,725	4,129,651	4,729,651
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 120,977,086	\$ 121,815,601	\$ 123,084,682	\$ 124,504,718
Sources of Funds				
General Revenue	\$ 100,279,086	\$ 100,929,928	\$ 101,563,958	\$ 103,337,018
Federal Aid	14,879,669	13,397,105	15,613,903	15,613,903
Restricted Receipts	415,924	1,484,611	805,627	552,603
Other	5,402,407	6,003,957	5,101,194	5,001,194
Total	\$ 120,977,086	\$ 121,815,601	\$ 123,084,682	\$ 124,504,718
FTE Authorization	611.6	610.6	599.6	564.6

*FY 2019 budget reflects the transfer of the Division of State Fire Marshal to the Department of Business Regulation

Summary. The Department of Public Safety requested expenditures of \$134.4 million from all sources for FY 2019, including \$116.9 million from general revenues. The request is \$13.4 million more than enacted, including increases of \$16.6 million from general revenues and reductions of \$2.5 million from federal funds, \$0.1 million from restricted receipts, and \$0.6 million from other funds. The Department requested staffing authorization of 698.6 full-time equivalent positions, 87.0 positions more than enacted.

The Governor recommended FY 2019 expenditures of \$123.1 million, including \$101.6 million from general revenues. This is \$2.1 million more than enacted. Excluding expenses for centralized services transferred from the Department of Administration, the recommendation is \$1.0 million more than enacted and \$12.4 million less than requested. She recommended staffing of 599.6 full-time equivalent positions.

The Assembly provided \$124.5 million from all sources, including \$103.3 million from general revenues and authorized staffing of 564.6 full-time equivalent positions. This is \$1.4 million more and 35.0 fewer positions than recommended to primarily reflect the elimination of 15.0 current vacancies, and adjusted staffing from delaying the start of the 57th State Police training academy.

Target Issues. The Budget Office provided the Department with a general revenue target of \$93.6 million. The amount includes current service adjustments of \$1.8 million and a 10.0 percent target reduction of \$8.5 million. The current service request is \$14.8 million more than the Budget Office’s estimate. The constrained request is \$2.8 million above the target level. The Department included revenue enhancements of \$4.2 million to offset the increase requested above the current service budget. The proposals to achieve the reductions are noted among the items described below where appropriate.

FY 2019 Budget	Budget Office		DPS		Difference
FY 2018 Enacted	\$	100,279,086	\$	100,279,086	\$ -
Current Service Adjustments		1,794,058		1,794,058	-
New Initiatives		-		14,841,222	14,841,222
Change to FY 2018 Enacted	\$	1,794,058	\$	16,635,280	\$ 14,841,222
FY 2019 Current Service/Unconstrained Request	\$	102,073,144	\$	116,914,366	\$ 14,841,222
Target Reduction/Initiatives		(8,456,501)		(20,449,661)	(11,993,160)
FY 2019 Constrained Target/Request	\$	93,616,643	\$	96,464,705	\$ 2,848,062
Change to FY 2018 Enacted	\$	(6,662,443)	\$	(3,814,381)	\$ 2,848,062

The recommendation is \$8.0 million more than the target, which includes the transfer of \$1.1 million from the Department of Administration for centralized services. The enacted budget is \$9.7 million more than the target.

Statewide Cost-of-Living-Adjustments. The Governor recently reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. The estimate for the Department of Public Safety for FY 2019 is \$2.0 million. *The Governor did not recommend funding for this. The Assembly provided \$2.0 million from general revenues for FY 2019.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor’s budget adds \$1.1 million from general revenues for the Department’s share of centralized services. This includes \$0.1 million for facilities management, \$0.8 million for human resources and \$0.2 million for information technology services. The Assembly concurred.

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor’s revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Public Safety, the budget identifies \$1.4 million as a measure to reach the undistributed savings goal. It appears that \$82,500 of the*

savings are assumed in the FY 2019 budget. The Assembly included \$56,400 from general revenues based on longevity savings available from the voluntary retirement incentive program.

Central Management

New Public Information Officer (1.0 FTE). The Department requested \$143,276 from general revenues to fund a new 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, but the Governor did not recommend the position and the Assembly concurred. The Governor did recommend the position in FY 2018, but the Assembly did not fund it. Despite that lack of approval, the Department filled the position during the second half of FY 2017 and included the funding to support it in both its revised and FY 2019 requests. *The Governor concurred and included \$500 more for benefit adjustments. The Assembly did not provide authorization or funding for the new position.*

New Finance Staff Positions (3.0 FTE). The Department requested \$286,661 from general revenues and authorization for 3.0 new full-time equivalent finance staff positions. These include an assistant director for special projects, an administrative assistant and a fiscal clerk. However, the Department's intent was to ask for two new fiscal clerks, instead of just one, which would bring the total ask to \$357,270 and 4.0 positions. The Department has identified the need for additional capacity in its Business Office that would be addressed with the additional positions.

The constrained request excludes the funding as well as the staffing authorization. *The Governor did not recommend the funds or positions. The Assembly concurred.*

Other Salaries and Benefits. The Department requested \$1.5 million from all sources to support the authorized level of 12.0 full-time equivalent positions in Central Management. This is \$0.3 million less than enacted from all sources, including \$0.1 million more from general revenues and \$0.4 million less from federal funds to reflect current grant awards. The request includes \$6,842 to upgrade an existing vacant position.

The constrained request excludes the funding for upgrading the position.

The Governor recommended \$50,252 more than requested from all sources, including \$50,010 less from general revenues, offset by \$0.1 million more from federal funds to reflect updated allocation of staffing to federal sources. She also included \$49,526 to partially fund a position in the Office of the Governor. The Assembly did not concur with the allocated personnel expenditures for the Governor's Office and concurred with the remainder of the recommendation.

Software Maintenance Agreement. Consistent with its revised request, the Department requested \$71,468 from the Sex Offender Registration and Notification Act grant for which no funding was included in the enacted budget. The grant is administered by the Public Safety Grant Administration Office. The funds will be used towards a software maintenance agreement. *The Governor recommended funding as requested. The Assembly concurred.*

Crime Victim Assistance Grant. Consistent with its revised request, the Department requested \$4.1 million or \$4.1 million less than enacted from federal funds for the Crime Victim Assistance program, which is administered by the Public Safety Grant Administration Office. The decrease reflects adjusted payment of awards that support efforts that include responding to emotional and physical needs of crime victims. It aligns expenditures with historical spending, for which FY 2017 expenses were \$4.1 million. *The Governor recommended funding as requested. The Assembly concurred.*

Other Grants. The Department requested \$2.0 million or \$0.1 million more than enacted for other federal Department of Justice grants administered by the Public Safety Grant Administration Office. The request is reflective of awards expected for FY 2019. This includes \$91,000 more from the Juvenile Justice Delinquency Prevention Challenge Grant, which provides initiatives for states participating in the Formula Grants Program to develop, adopt and improve statewide policies and programs in one or more of the ten specified challenge areas. Other minor increases offset adjustments for expiring grants. *The Governor recommended \$50,209 more than requested, reflective of anticipated federal awards.* **The Assembly concurred.**

Other Operations. The Department requested \$20,753 from general revenues for all other Central Management expenses. This is \$1,178 less than enacted, reflective of FY 2017 reported expenditures for information technology. *The Governor recommended \$17,650 less than requested, based on historical spending and consistent with her revised recommendation.* **The Assembly concurred.**

E-911

New Telecommunicators (3.0 FTE). The Department requested \$232,560 from general revenues to fund 3.0 new telecommunicator positions. The Division indicated that the positions will allow it to properly attend to the increasing volume of calls. The Division noted that an increasing number of calls come from wireless phones and that adds complexity to the call taking process. This represents about a 10 percent increase in telecommunicator positions.

The constrained request excludes the positions and the funding. *The Governor recommended \$153,881 to fund two new telecommunicator positions. The recommendation assumes a start date of July 1, 2018. While it appears that E-911 received authorization to fund two new positions, as noted below, the recommendation assumes a like amount of turnover savings from existing positions.*

The Assembly provided \$0.3 million from general revenues to fund three more positions, for a total of five new telecommunicators.

Other Salaries and Benefits. The Department requested \$4.5 million from all sources for salary and benefit costs for the remaining 47.6 full-time equivalent positions in the Division. This is \$91,133 more than enacted, including \$74,623 more from general revenues and \$16,510 more from other funds, which appears to have been included in error.

Consistent with the revised request, the request includes \$56,000 more for overtime expenses. However, the increase in overtime was associated with vacancies, and the FY 2019 request assumes filling most of those. *The recommendation corrects the erroneous inclusion of other funds and assumes \$0.2 million of additional turnover savings.* **The Assembly concurred and provided funding for cost-of-living adjustments.**

Communications and Software. The Department requested \$1.4 million from general revenues for all communication expenditures for the Division. The request is \$0.1 million more than enacted and is consistent with the revised request for the contract to protect its network from cyber-attacks and malware threats. The Department indicated the contract includes a real-time protection tool against intrusions and exfiltration of data and service costs. The contract service agreement is in effect until November of 2018. It should be noted that the 2017 Assembly provided additional general revenue funding of \$112,700 for cybersecurity monitoring and network transition costs.

As part of its constrained request, the Department excluded funding for the cybersecurity contract. *Consistent with the revised recommendation, the Governor did not include funding for this and further*

reduced the request by \$88,000, including \$38,000 less for software agreements and \$50,000 less for telephone expenses based on historical spending.

The Assembly concurred and provided an additional \$0.7 million from general revenues for the Division to perform technology upgrades. Funds will also be used for a statewide assessment of needs to implement Next Generation 911.

The Assembly also enacted legislation in Article 7 of 2018-H 7200, Substitute A, as amended, to rename the E-911 Surcharge the Emergency Services and First Response Surcharge to reflect the current use of the funds for emergency services and first responder agencies. It also requires the Office of Digital Excellence to include recommendations for shared services across municipalities and to report on planned use of the Information Technology Investment Fund for projects related to public safety communications and emergency services. The Fund currently receives 10.0 percent of the fees.

Other Expenses. The Department requested \$138,970 from general revenues for all other expenses in the division. This is \$3,778 less than enacted for medical evaluation and does not appear to be consistent with historical spending for which expenditures were \$1,075 in FY 2016 and \$1,800 in FY 2017. The revised request assumes the enacted amount of \$2,750.

The request also includes expenditures for staff training and uniforms, consistent with the employment contract. *The Governor further reduced the request by \$22,291 for building maintenance costs and staff training.* **The Assembly concurred.**

Fire Marshal

Building, Design and Fire Professionals. The State Fire Marshal is responsible for the enforcement of duties required by the Rhode Island Fire Safety Code and all other general and public laws that relate to fires, fire prevention, fire protection, fire investigation, and fire education. The Division also enforces all laws regarding the keeping, storage, use, manufacturing, sale, handling, transportation, or other disposition of explosives and flammable materials. The State Fire Marshal's Office is subdivided into several units including the Bomb Disposal, Enforcement, Fire Education and Training, Inspection, Investigation, and Plan Review.

The Governor proposed legislation in Article 3 of 2018-H 7200 to consolidate professions relating to building and construction design, inspection, and enforcement of building and fire codes. The Budget reflects the transfer of several programs, funding and staffing of 59.0 full-time equivalent positions to the Department of Business Regulation. These include the State Fire Marshal from the Department of Public Safety, the Building Code Commission, Contractors' Registration and Licensing Board, and the Fire Code Safety Board of Appeal and Review from the Department of Administration. A Memorandum of Understanding, signed on January 12, 2018, between the Department of Administration and the Department of Public Safety is being used to allow the transfer for FY 2018.

The Budget reflects the transfer. In the Department of Business Regulation, she recommended total funding of \$4.3 million from all sources, including \$3.7 million from general revenues. She included staffing of 36.0 full-time equivalent positions, one more fire inspector position than the authorized level. **The Assembly concurred.**

New Positions (4.0 FTE). The Department requested \$0.2 million from general revenues to fund 4.0 new full-time equivalent positions. This includes one fire inspector and three technician positions to serve the Rhode Island Bomb Squad. It appears that the Department inadvertently used the salary for a fire safety

inspector position, which is lower than the salary for an explosives and flammable liquids technician for the Bomb Squad. This understates the request by \$0.1 million.

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 United States Federal Bureau of Investigation certified and accredited bomb squad in the state. The Office currently has three explosives and flammable liquids technicians assigned to the bomb squad; the Governor included funding for an additional position in her FY 2018 budget recommendation, but the Assembly did not concur.

The constrained request excludes the positions and the funding. *The Governor concurred with the constrained request.* **The Assembly concurred.**

Other Salaries and Benefits. The Department requested \$3.2 million from all sources to fund the authorized level of 35.0 full-time equivalent positions for the Division of State Fire Marshal. This is \$74,623 more than enacted for salary and benefit costs. The request includes the enacted amount of \$0.2 million for overtime. It appears that the request is overstated by \$0.1 million; it includes more for benefits than current service estimate. As of December 2017, the Division had 3.0 vacancies.

The Governor recommended \$3.0 million for salary and benefit costs for 36.0 full-time equivalent positions, \$0.2 million less than requested. She corrected for overstated expenditures and included \$0.1 million in turnover savings. **The Assembly concurred.**

Vehicle Purchases. The Department requested \$230,000 from general revenues to replace six vehicles from the Fire Marshal's fleet, for which the enacted budget included no funding. The request aims to reduce increasing vehicle maintenance and repair costs attributable to older vehicles in the fleet. The vehicles will be used to support an investigator, inspectors and a bomb technician at the Division. In FY 2017, the Department purchased 13 vehicles through the State Fleet Replacement Revolving Loan Fund for the Fire Marshal Division.

As part of its constrained request, the Department excluded funding for the vehicle purchases. *The Governor did not recommend funding.* **The Assembly concurred.**

National Fire Protection Association Certification. The Department requested \$49,400 from general revenues for training and online subscription access to the National Fire Protection Association. The Department reported the certification is needed to maintain an updated list of the Association's codes for the compliance of the Rhode Island Fire Safety Code.

As part of its constrained request, the Department excluded the funding. *The Governor concurred with the constrained request.* **The Assembly concurred.**

Fire Training Academy. The Department requested \$117,654 from restricted receipts for expenditures associated with the Fire Training Academy. This is \$94,512 less than enacted, which reflects the removal of \$90,312 budgeted for instructors at the Academy for payments of courses taught. The request is not consistent with the revised request or historical spending; expenditures were \$96,488 in FY 2017 and \$79,888 in FY 2016. *The Governor recommended \$212,166, consistent with the enacted budget.* **The Assembly concurred.**

Other Expenses. The Department requested \$0.9 million from all sources including \$0.6 million from general revenues for all other operating expenses for the Fire Marshal. This is \$73,442 more than enacted, including \$3,624 less from general revenues, offset by an increase of \$77,066 from federal funds. Major changes from general revenues include the removal of \$11,789 previously budgeted for veterinary services for the Bomb Squad's K-9 unit and adds \$10,000 for maintenance of the Bomb Squad's robots. This

expense was previously funded with federal funds. The Department indicated that based on anticipated awards, an alternate funding source for this must be identified; however, the request does include an additional \$0.1 million from Homeland Security funds, which can be used for various supplies.

The constrained request excludes the maintenance costs for the robots. *The Governor excluded the \$10,000 for maintenance of the robots and added \$51,429 from all sources. This includes \$49,820 for updated loan for vehicle payments and restores the enacted amount for veterinary services.* **The Assembly concurred.**

Sheriffs

New Position/Upgrades (1.0 FTE). The Department requested authorization for a new captain position and \$35,123 from general revenues in new expenditures for salary and benefit costs associated with six promotions in the Sheriff's Division, for which the enacted budget included no funding. It appears the Division promoted a sergeant to a captain, two sergeants to lieutenants and promoted others into their vacancies. *The Governor concurred.* **The Assembly concurred.**

New Deputy Sheriffs (20.0 FTE). The Department requested authorization for 20.0 new full-time equivalent deputy sheriff positions and \$1.9 million from general revenues. The Division indicated 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 noted that judges and magistrates require one to four sheriffs in their courtroom. The request is based on five judges and magistrates that have been added since June 2013; however, only one judge has been added. This position was added by the 2015 Assembly for the establishment of the Veteran's Calendar. The Department currently has 158.0 full-time equivalent deputy sheriff positions.

The constrained request excludes the funding as well as the authorization for the positions. *The Governor did not recommend funding the new positions.* **The Assembly concurred.**

Injured on Duty Change. The constrained budget proposes \$2.6 million in savings from amending current law to place the Division of Sheriffs and Capitol Police under the same workers' compensation provisions and regulations as the majority of other state employees. It is unclear how that was calculated. Under current law, Sheriffs and Capitol Police 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 and FY 2018 constrained requests; however, neither the Governor nor the Assembly concurred with the proposal.

The Governor proposed legislation in Article 3 adding a provision to the injured-on duty law that allows an independent medical examiner to certify that a person has reached the medical improvement triggering the 60-day clock to apply for accidental disability benefits. Under current law, it must be the treating physician that makes the certification. The article also provides that in addition to the Workers' Compensation Court, a final ruling of any other court of competent jurisdiction or the State Retirement Board allowing accidental disability benefits will also be allowed to terminate injured on duty benefits. The article also amends the accidental disability law to require use of application and processing rules for injured on duty benefits for state employees that qualify for them, rather than a separate accidental disability procedure.

The Governor's budget assumes \$0.6 million of general revenue savings from these changes, \$0.3 million is from the Sheriffs. **The Assembly did not concur and restored the savings.**

Other Salaries and Benefits. The Department requested \$17.1 million from general revenues to fund the remaining 180.0 full-time equivalent positions for the Division of Sheriffs. This is \$1.4 million less than enacted. The request includes \$0.6 million for overtime expenses, including \$0.2 million more than enacted and is \$41,000 more than the revised request. The request does not assume any turnover savings and based on staff's estimate of \$101,057 per position, \$18.2 million would be needed to fully fund all positions. The request is \$1.1 million below that and is \$1.3 million below FY 2018 projected expenses.

The Governor recommended \$15,398 more than enacted, which is \$1.4 million more than requested. This reflects funding for updated benefits, offset by \$0.5 million in turnover savings. **The Assembly concurred and also provided funding for cost-of-living adjustments.**

Staff Training. The Department requested \$0.2 million from general revenues, \$0.1 million more than enacted for staff training for the sworn member of the Division. The Department indicated additional funds will provide continuous in-service training to ensure sworn members are up to date in certifications, statutory mandates, and current accreditation standards. The proposal would require sworn members to attend training sessions after hours or on weekends, as the Department reports it cannot provide the training sessions during normal work hours.

The constrained request excludes the funding. *The Governor reduced funding for this by \$50,000; this is \$150,000 less than requested.* **The Assembly concurred.**

Other Expenses. The Department requested \$1.5 million from general revenues for all other expenses for the Division of Sheriffs. This is \$18,439 less than enacted, including the removal of \$13,006 previously budgeted for recruitment expenses. Of the requested amount, \$0.7 million or 47.9 percent is for payments to the Judiciary for shared space. Other expenses include state fleet and interstate extraditions.

The 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. It should be noted that this proposal was recommended by the Governor and adopted by the Assembly. The enacted budget already includes the savings.

The Governor recommended \$61,531 less than requested. This includes \$68,632 more for building maintenance payments to the Judiciary for shared space, offset by \$127,017 in savings from state fleet loan repayments based on updated costs. **The Assembly concurred.**

Capitol Police

New Capitol Police Officer (2.0 FTE). The Department requested authorization for 2.0 new Capitol Police positions. The request includes \$0.2 million from general revenues to support the two positions. The Department indicated it needs the positions to maintain current duties and services due to planned promotions of a lieutenant to captain and two patrol officers to sergeant. In FY 2017, the Governor recommended funding five screener positions, in lieu of Capitol Officer positions, but the Assembly did not provide funding and authorization. As of December 2017, the Division had five vacant positions.

As part of its constrained request, the Department excluded the positions and the funding. *The Governor recommended \$144,512 to fund two screener positions, in lieu of Capitol Police Officer positions. The recommendation assumes a start date of July 1, 2018.* **The Assembly did not provide authorization or funding for the new positions.**

Overtime Expenses. The Department requested \$540,000 from general revenues for Capitol Police overtime expenses, which is \$417,650 more than the enacted budget. The request is consistent with reported

FY 2017 overtime expenditures and the FY 2018 revised request. It appears the enacted budget inadvertently did not restore overtime expenses after the Assembly did not provide funding and authorization for the requested five new screener positions. The Department spent \$483,834 in FY 2016 and \$539,944 in FY 2017 for overtime expenses.

As part of the constrained request, the Department included 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 the proposal does not constitute true savings, as it simply shifts costs for Capitol Police overtime from one state agency to another. The Department also included this proposal as part of its FY 2017 and FY 2018 requests, but neither the Governor nor the Assembly concurred.

*The Governor included the \$0.4 million requested. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$4.1 million from general revenues, which is \$0.5 million more than enacted for other salaries and benefits for the Capitol Police who are assigned to security functions in 14 state and court buildings. The Division has 51.0 full-time equivalent positions, which includes 38.0 positions funded from general revenues and 13.0 positions charged to other agencies through rotary accounts. Based on the average cost of \$101,057 per position, the request appears to be overstated by \$0.4 million.

*The Governor recommended \$0.6 million less than requested, which corrects for the overstated expenditures and assumes \$0.1 million in turnover savings. **The Assembly concurred and also provided funding for cost-of-living adjustments.***

Recruitment. The Department requested \$11,625 from general revenues for the recruitment of new police officers. The request is based on a class of 15 candidates and includes \$8,250 for psychological and \$3,375 for medical examinations. It should be noted the FY 2017 final budget included \$11,000 for the recruitment costs and it appears that only \$668 was spent. The Department did not request funding for recruitment in its revised request. As the Division expects to promote three Capitol Officers, it will need to recruit two additional Capitol Police.

The constrained request excludes the requested funding. *The Governor included the requested funds. **The Assembly concurred.***

Other Operations. The Department requested \$0.2 million from general revenues for other operating expenses at the Capitol Police. This is \$8,200 more than enacted. The request includes expenses for items such as computer equipment and supplies, uniforms, staff training, and fleet maintenance and repair costs. *The Governor recommended \$7,504 less than requested, including \$32,555 more for state fleet loan repayments based on updated costs, offset by savings primarily from food and clothing. **The Assembly concurred.***

Municipal Police Training Academy

Operations. The Department requested \$0.6 million from all sources for the Municipal Police Training Academy's 2.0 authorized positions and operating expenses. This is \$59,995 more than enacted, including increases of \$4,902 from general revenues and \$55,093 from federal funds, primarily for the Drug Recognition Expert/Standardized Field Sobriety Tests Training Grant funding, which is used to support advertising, training, and travel costs associated with the Rhode Island Police Officers Commission of Standards and Training. The request includes \$0.2 million from general revenues to fund the authorized level of 2.0 full-time equivalent positions. This is \$1,098 less than enacted and appears to be understated based on current planning values.

Consistent with its revised request, the request includes \$25,475 in lease payments to the Community College of Rhode Island for use of classroom and office space at the Flanagan Campus. This is \$6,000 more than enacted, reflective of an increase in lease payments by \$500 monthly, for which the enacted budget did not include additional funding.

The constrained request eliminates funding for the leased space. It proposed moving the Municipal Training Academy to Camp Fogarty in East Greenwich. The Department indicated that the National Guard will not charge the Academy for use of space. The Department also proposed that local police departments takeover the function currently performed by the State Police sworn members at the Municipal Training Academy.

The Governor recommended \$57,208 more than requested from all sources, primarily from federal funds to reflect updated grant awards.

She also proposed legislation in Article 7 of 2018-H 7200 authoring the Municipal Police Training School to charge tuition and a physical training test to each applicant, removing the prohibition on charging cities and towns. The amounts would be determined through rules and regulations and the receipts would be deposited as restricted sources and would be used for the operating costs of the Academy, in lieu of general revenues. In the event receipts are not sufficient, it requires that the General Assembly makes an appropriation. The general revenue savings assumed is \$0.3 million.

The Assembly did not concur with the proposal to allow the Academy to charge tuition and a physical training test to each applicant. It restored \$0.3 million of general revenue funding for operations of the training academy. It concurred with the Governor's proposal to delete current and obsolete law referencing the location of the Municipal Police Training Academy.

State Police

Pre-1987 Pensions. The Department requested the enacted amount of \$16.6 million from general revenues for the annual appropriation of retirement costs, widow and disability pensions, cost of living adjustments and health insurance benefits of the State Police. In FY 2017, the Department completed a one-time payment of \$15.0 million from restricted receipts available from Google forfeiture funds seeded the pension trust fund. *The Governor concurred and included a general revenue savings of \$14,756 based on the most recent actuarial report.* **The Assembly concurred.**

57th State Police Training Academy. The Department requested \$4.8 million from all sources, including \$3.3 million from general revenues for salary and benefit costs associated with the 57th State Police Training Academy, which would include a class of 50. The request includes \$1.5 million from Google settlement funds to conduct the academy. It assumes that training would begin early June 2018 and graduation would occur in November. The request includes staffing authorization for 50 troopers, who would start upon graduation. The FY 2018 budget assumed a class of 20 would graduate in June 2019.

As part of its constrained request, the Department excluded the general revenue funding as well as the staffing authorization.

The Governor recommended a total of \$3.2 million from all sources for a class of 30 graduates. The recommendation includes \$2.4 million from general revenues for stipend payments and salary and benefit costs for the second half of FY 2019, and \$0.8 million from Google settlement funds for operating cost to conduct the academy. **The Assembly assumed general revenue savings of \$1.7 million by delaying the start of the training academy to January 2019; however, it increased the class size to 40 candidates and provided \$0.7 million for stipend payments.**

Trainee Recruitment/Mentoring Program. The Department requested \$50,987 from general revenues for overtime expenses associated with the trooper trainee recruitment and mentoring program. The training academy will include a mentorship program to support incoming recruits by pairing them with current members of the State Police. The request is exclusively for overtime expenses associated with troopers who sign up to be members after normal work hours.

The constrained request excludes funding for this. *The Governor did not recommend funding.* **The Assembly concurred.**

Lottery/Gaming Unit. The Department requested the enacted amount of \$1.5 million from other funds for salary and benefit costs to support the authorized level of 7.0 full-time equivalent positions allocated to the Lottery/Gaming Unit. It does not appear that benefit adjustments were made and based on planning values, it is unlikely that funding will remain at the enacted level. Additionally, it does not reflect any new expenses related to the opening of the Tiverton Casino. *The Governor recommended \$410 less than requested. This includes \$29,575 more for overtime offset by \$29,985 less for benefits based on current position allocation.* **The Assembly concurred.**

New Intelligence Analyst (2.0 FTE). The Department requested \$0.3 million from general revenues to convert two contract analyst positions into 2.0 new full-time equivalent intelligence analyst positions. The positions will be assigned to the Rhode Island State Police Fusion Center and the Joint Cyber Task Force. Some of the duties and responsibilities include: investigate potential terrorist activity and facilitate the dissemination of the intelligence information to local, state, and federal law enforcement agencies. The Department reported it expects a 60.0 percent reduction through FY 2018 in the Department of Homeland Security Grant, which currently funds the two contract analyst positions.

As part of its constrained request, the Department excluded the authorization as well as the funding for the positions. *The Governor did not recommend these positions.* **The Assembly concurred.**

New Cybersecurity Positions (3.0 FTE). The Department requested authorization and \$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, conduct computer forensic analysis, and perform intelligence analysis. It should be noted that the Department requested the positions in its FY 2016 through FY 2018 requests. Neither the Governor nor the Assembly included them.

As part of its constrained request, the Department excluded the authorization as well as the funding for the positions. *The Governor did not recommend funding these positions.* **The Assembly concurred.**

Civilian Upgrades. The Department requested \$34,367 from general revenues for salary upgrades to eight civilians' positions throughout the State Police. The Department indicated that the intent of this is to increase staff retention.

The constrained budget excludes funding for this. *The Governor did not recommend funding.* **The Assembly concurred.**

Town of Exeter Reimbursement. The 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 Governor concurred and included the savings. She also proposed legislation in Article 3 to expand the options for revenues that can be withheld from cities and*

*towns that owe the state to include meal and beverage, tourism, and public service corporation taxes. **The Assembly did not concur and restored the savings.***

Other Salaries and Benefits. The Department requested \$51.7 million from all sources for all other State Police salary and benefit costs. This is \$1.4 million more than enacted, including \$3.2 million more from general revenues, \$0.2 million more from federal funds and \$2.0 million from other funds. This includes a shift of \$2.1 million from Road Construction Reimbursement funds to general revenues. The request assumes \$2.0 million more for overtime, which is \$1.6 million more than the revised request and \$2.1 million more than FY 2017 expenses.

As of December, the Division had 15.0 full-time equivalent vacant positions. 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 did not anticipate any mandatory retirement, as the next mandatory retirement dates will be for the 1994 class members, which would be in FY 2022. Based on the amount assumed for overtime and turnover, it appears that the request is overstated.

*The Governor recommended \$2.5 million more than enacted from all sources, including \$2.1 million more from general revenues and staffing of 281.0 full-time equivalent positions. This includes \$0.8 million more for overtime, reflective of current trend. The recommendation is \$1.1 million less than requested primarily to reflect turnover savings. **The Assembly concurred and also provided funding for cost-of-living adjustments.***

State Police Hardware Upgrades. The Department requested new expenditures of \$2.4 million from general revenues to purchase information technology hardware and software for the State Police. This includes the purchase of mobile radios, cruiser laptops and fingerprint machines to bring up-to-date the State Police's information and technology hardware. It should be noted that the Mobile Portable Radio Replacement project was included in the Department's FY 2015 through FY 2017 capital budget requests; neither the Governor nor the Assembly included the project in either year. The Department also requested the project as part of its capital budget request, which included \$2.4 million from the Information Technology Investment Fund. The capital request assumed the use of \$0.9 million in FY 2019 and \$0.8 million each in FY 2020 through FY 2021. The Department could use available Google forfeiture funds to fund this project.

The constrained budget excludes funding for this. *The Governor recommended use of \$1.1 million from Google settlement funds to purchase laptops, radios, fingerprint equipment as well as software license renewals. **The Assembly concurred.***

Vehicle Purchases. The Department requested \$3.5 million from general revenues for costs associated with the State Police's fleet. The FY 2018 enacted budget included no funding for new vehicle purchases for the vehicle fleet. The Department reported that it needs to replace vehicles due to the increased age of its fleet; this includes 118 vehicles that have over 100,000 miles of use. The proposal includes only vehicles that the State Police is unable to purchase using state loan revolving funds due to its limited funding. The Department reported it replaced its fleet in 2013 using available Google forfeiture funds.

The constrained budget excludes funding for this. *The Governor recommended a total of \$4.1 million from Google settlement funds. This includes \$1.4 million in FY 2018 and \$2.7 million in FY 2019. **The Assembly concurred.***

Capital Projects. The request includes the enacted amount of \$350,000 from Rhode Island Capital Plan funds for two ongoing projects. *The Governor recommended \$600,000 more than enacted. This includes \$0.1 million for a feasibility study, \$0.1 million for the continuation of a master plan and \$0.4 million to upgrade the training academy.*

The Assembly concurred, with the exception of providing funding for the study, as the master plan will encompass this work. A description of all projects is included in the Capital Budget section of this publication.

Vehicle Maintenance and Repairs. The Department requested \$3.3 million from all sources for maintenance, fuel and insurance costs associated with the Patrol Division's vehicle fleet. This is \$1.7 million more than enacted, including \$250,000 more from general revenues and \$1.4 million more from Road Construction Reimbursement funds for vehicle maintenance. The Department indicated new expenditures reflect higher than expected maintenance costs for repairs on high mileage vehicles, which includes 118 vehicles with over 100,000 miles of use. The request is \$1.6 million more than FY 2017 reported expenditures and \$1.4 million more than the revised request. Based on historical spending patterns, it appears that the Department routinely overestimates expected road construction reimbursement cost from the Department of Transportation.

The constrained request includes general revenue savings of \$37,500 from eliminating the custom painting of State Police vehicles. *The Governor concurred with the constrained request and reduced expected reimbursement from transportation reimbursement funds for vehicle maintenance by \$1.8 million.* **The Assembly concurred.**

Other Operations. The Department requested \$4.6 million, which is \$60,077 less than enacted from all sources for other State Police expenses. This includes \$43,852 less from general revenues for veterinary services, information system support, and records management expenses. *The Governor further reduced the request by \$0.6 million, including \$0.5 million from general revenues. This includes savings of \$145,536 for updated loan costs for vehicles purchased, \$0.1 million from utilities and \$0.2 million less for uniforms; the Governor's undistributed savings initiative assumes \$82,500 from the reuse of uniforms.* **The Assembly concurred.**

Target - Revenue Enhancements

As part of its constrained request, the Department included revenue enhancements of \$4.2 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 these proposals were included in the FY 2017 and FY 2018 constrained budget requests and were not recommended by the Governor nor enacted by the General Assembly. If the proposals are accepted, the Department suggested that restricted receipt accounts be established; the funds would thereby reduce current expenditures that are supported by general revenues. *The Governor did not concur with most of these initiatives.* **The Assembly did not concur with any of the initiatives.**

Sale of Backup Facility. The constrained request proposes \$1.4 million in savings from the sale of the E-911 backup building in North Providence. The building was assessed in FY 2017 by the Division of Capital Asset Management and Maintenance to determine its replacement value and estimated maintenance and upkeep costs. The Division has 14 stations at this facility, which it could use in the event of a failure in service at the State Police headquarters. With the exception of Department of Transportation owned-land, current law requires that the proceeds from land sales be deposited into the Information Technology Investment Fund. *The Governor did not concur.* **The Assembly concurred.**

E-911 Wireless and Landline Surcharge Initiative. Each landline and wireless line in the state is subject to a \$1.00 per month surcharge for E-911 as well as a \$0.26 surcharge. The constrained request includes a proposal to institute a \$0.24 surcharge on all wireless and landline call back. The Department assumes receipts of \$119,136 based on 2017 call back volume of approximately 500,000. The funds would be deposited into a restricted receipt account and would be used to fund technology upgrades and software maintenance. *The Governor did not concur with this proposal.* **The Assembly concurred.**

Homeowner's Insurance Policy Tax. As part of its constrained request, the Department proposed 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 221,077 homeowners' insurance policies written in the state with an average annual cost of \$1,383 each, which would increase by \$13.83 per year for estimated collections of \$3.1 million. *The Governor did not concur.* **The Assembly concurred with the Governor.**

Inspection Fees. The Department proposed instituting a mandatory inspection fee, with increased and new revenues deposited as restricted receipts for the State Fire Marshal's operating expenses. The proposal includes setting a \$100 inspection fee for an estimated 2,200 inspections per year. Current law only charges a \$100 fee for inspection violations. The Department assumed receipts of \$220,000 from this proposal. *The Governor did not concur.* **The Assembly concurred with the Governor.**

Criminal Case Fee. As part of its constrained request, the Department also proposed 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 assumed revenues of \$197,830 from this proposal. It should be noted that the Department proposed this initiative as part of its FY 2018 constrained budget and it was not recommended by the Governor nor adopted by the Assembly. *The Governor did not concur with this proposal.* **The Assembly concurred with the Governor.**

Administrative and Physical Testing Fees. As part of its constrained request, the Department proposed 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. The request assumes \$51,000 in receipts from this proposal. *The Governor concurred with the proposal to charge a physical testing fee. As noted earlier, she proposed legislation to allow tuition charges to students as well as removing the prohibition of charging cities and towns.* **The Assembly did not concur and provided general revenue funding for operations of the academy.**

Rhode Island Law Enforcement Telecommunications System User Reimbursement. The Department proposed seeking reimbursement from municipalities for use of the Rhode Island Law Enforcement Telecommunications System as well as related costs including the purchase of routers and equipment, software, core message switch and security monitoring. The system is connected to over 70 criminal justice agencies in the state. The system provides them with law enforcement data. The Department indicated that 38 of the agencies are municipal police. It would seek reimbursement from municipal agencies as well as the Judiciary, 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 noted that non-municipal agencies pay for their own connection and router to the system. The request assumes \$0.3 million in receipts from this proposal. *The Governor did not concur with this proposal.* **The Assembly concurred with the Governor.**

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. *As noted earlier, the Governor's budget assumes this savings.* **The Assembly did not concur and restored the savings.**

Office of the Public Defender

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 10,761,879	\$ 10,435,948	\$ 10,997,942	\$ 11,272,586
Contracted Services	256,285	254,767	259,450	259,450
Subtotal	\$ 11,018,164	\$ 10,690,715	\$ 11,257,392	\$ 11,532,036
Other State Operations	1,031,162	1,065,955	1,052,980	1,052,980
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	45,000	45,000	45,000	45,000
Capital	46,500	46,500	46,500	46,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 12,140,826	\$ 11,848,170	\$ 12,401,872	\$ 12,676,516
Sources of Funds				
General Revenue	\$ 12,043,006	\$ 11,747,185	\$ 12,300,887	\$ 12,575,531
Federal Aid	97,820	100,985	100,985	100,985
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 12,140,826	\$ 11,848,170	\$ 12,401,872	\$ 12,676,516
FTE Authorization	93.0	93.0	95.0	95.0

Summary. The Office of the Public Defender requested FY 2019 expenditures of \$12.6 million, which is \$0.5 million more than the enacted budget. The request includes \$456,199 more from general revenues and \$3,165 more from federal funds. The Office requested 96.0 full-time equivalent positions, three more than the enacted level. The Office subsequently submitted revisions to its budget reducing personnel costs by \$0.1 million from general revenues, which primarily reflects corrections to benefits calculations. Adjusted for that, the request is \$0.3 million more than enacted.

*The Governor recommended \$12.4 million from all sources, including \$12.3 million from general revenues, which is \$0.3 million more than enacted and \$0.1 million less than the Office's revisions to its request. Excluding centralized services transferred from the Department of Administration, the recommendation is \$248,860 more than enacted from all sources, including \$245,695 more from general revenues. The Governor includes the two new attorney positions requested by the Office, but not the additional social services caseworker. As of the pay period ending January 20, the Office had 4.0 vacant positions. **The Assembly added \$0.3 million from general revenues for cost-of-living adjustments for state employees and concurred with the remainder of the recommendation.***

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 a 10.0 percent target reduction of \$1.1 million.

FY 2019 Budget	Office of the		
	Budget Office	Public Defender	Difference
FY 2018 Enacted	\$ 12,043,006	\$ 12,043,006	\$ -
Current Service Adjustments	105,357	165,230	59,873
New Initiatives	-	290,969	290,969
Change to FY 2018 Enacted	\$ 105,357	\$ 456,199	\$ 350,842
FY 2019 Current Service/Unconstrained Request	\$ 12,148,363	\$ 12,499,205	\$ 350,842
Target Reduction/Initiatives	(1,146,845)	(1,097,786)	49,059
FY 2019 Constrained Target/Request	\$ 11,001,518	\$ 11,401,419	\$ 399,901
Change to FY 2018 Enacted	\$ (1,041,488)	\$ (641,587)	\$ 399,901

The constrained budget submitted by the Office is \$0.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *Excluding centralized services, the Governor's budget recommendation is \$1.3 million above the Budget Office target. The enacted budget is \$1.6 million above the target.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Office of the Public Defender, the budget identifies \$213,325 from holding positions vacant in FY 2018 as a measure to reach the undistributed savings goal. However, the FY 2019 recommendation does not include savings from holding positions vacant beyond what is assumed in the enacted budget; as such, it appears the savings are temporary. The Assembly concurred.*

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside for the result of contract negotiations. The Assembly included \$274,644 for the Office of the Public Defender for FY 2019.*

2.0 New Assistant Public Defender IV. The Office requested \$0.2 million from general revenues for salaries and benefits for two new assistant public defender IV positions in FY 2019 in an effort to relieve the caseload burden at the agency. The request assumes these full-time attorneys will be hired at the beginning of FY 2019. The Governor recommended a new assistant public defender during last year's budget process, but the Assembly did not include the position. The Office made reference in its request to a five-year plan to increase staff, starting with the two new attorney positions requested for FY 2019. *The Governor recommended \$173,280 for the two new attorney positions. The recommendation assumes the positions will be filled for the last ten months of FY 2019. Conflicting information in the Budget Office documents suggest the additional positions are not attorneys. The Budget Office confirmed this was inadvertent and the 2.0 new positions were intended to be attorneys. The Assembly concurred with the new attorney positions and funding.*

1.0 New Social Services Caseworker. The Office requested \$0.1 million from general revenues for salaries and benefits for a new social services caseworker, who would be hired at the beginning of FY 2019 to focus on post-arrest diversion activities. The new hire would work in Courtroom 14 in Providence Superior Court, which addresses warrants and technical violations of probation. The Office further noted that federal funds for these post-arrest diversion activities have been decreasing in recent years and adding

this position will help prevent more frequent and longer detention of defendants. *The Governor did not recommend the position or the funding.* **The Assembly concurred.**

Other Salaries and Benefits. The Office requested \$10.9 million from general revenues for salaries and benefits for the authorized 93.0 full-time equivalent positions, which is \$0.1 million more than enacted. It subsequently submitted revisions reducing its request by \$0.1 million to reflect corrections to benefit calculations. Adjusted for that, the request is \$4,016 less than enacted and reflects an increase of \$0.1 million for current service adjustments offset by employee benefit selections and additional turnover savings.

For the first quarter of FY 2018, the Office has averaged 89.4 filled positions, or 3.6 vacancies. The Public Defender's Office noted that it expects less turnover in FY 2019 than FY 2018, given that most expected retirements have occurred in recent fiscal years and the likelihood of its current staff and anticipated hires continuing to work in the Office through FY 2019.

The Office's constrained request proposes eliminating 12.0 full-time positions for savings of \$1.1 million. The Office indicated that its current caseload would prevent the ability to absorb additional cases for FY 2019, 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 recommended \$10.8 million, all from general revenues, which is largely consistent with the Office's revisions to its request. The recommendation also reflects \$22,192 of statewide benefit savings. As mentioned previously, the Governor's FY 2019 recommendation assumes about one less vacant position than FY 2018, excluding the newly recommended attorneys.* **The Assembly added \$0.3 million from general revenues for cost-of-living adjustments for state employees, and concurred with the two new attorneys and remainder of the staffing recommendation.**

Target Option 1. The first option would eliminate all representation in Providence Superior Court as well as District Court violations calendars. In accordance with state law, the Office is obligated to represent indigent defendants only in criminal and parental rights cases. In FY 2017, the Office provided representation in 1,214 violation felony cases in Courtroom 9 of Providence Superior Court at a cost of \$1,899 per case and 1,158 misdemeanor violation of probation cases at a cost of \$568 per case. *The Governor's recommendation did not include this proposal.* **The Assembly concurred.**

Target Option 2. The second option would eliminate all representation in Newport County and close the Newport County branch office. In FY 2017 in Newport County, the Office provided representation in 303 cases in Superior Court at a cost of \$1,899 per case; 761 cases in District Court at a cost of \$568 per case; and 53 cases in Family Court at a cost of \$864 per case. 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 did not include this proposal.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The*

*Governor's budget adds \$12,186 from general revenues for the Office's share of centralized information technology services. **The Assembly concurred.***

Other Operations. The Office requested \$1.4 million, nearly all from general revenues for other operations. This includes \$0.5 million for rent. The request is \$26,075 more than enacted, including \$22,910 more from general revenues and \$3,165 more from federal funds. The amounts requested are essentially consistent with the Office's FY 2018 revised request. The Office requested \$14,500 less than enacted for intake interviewers and case management services, but it subsequently noted that it intended to include \$18,500 more than requested from general revenues for a contract paralegal position.

The request includes \$13,782 more for contracted trial related expenses including increases for court stenographers based on actual spending in FY 2017, interpreters and translators based on the trending increase in these services and expert witnesses, primarily medical experts; \$5,000 more for parking, janitorial, and the tax escalator in the rental account; \$3,500 more for replacing outdated desktop computers; \$6,350 more to reflect increasing telephone expenses; \$5,000 more for the cost of legal compilations and subscription services that have increased in the past year; and \$6,943 more for all other changes. *The Governor recommended \$13,278 less than requested from general revenues. She included the corrected funding for the contract paralegal position and \$26,491 more for court overhead charges based on more updated estimates of charges from the Judiciary. This is offset by reductions to reduce spending to the enacted levels. **The Assembly concurred.***

Department of Environmental Management

	FY 2018		FY 2018		FY 2019		FY 2019
	Enacted		Final		Recommended		Enacted
Expenditures by Program							
Office of the Director	\$ 9,596,360	\$	11,033,070	\$	11,005,017	\$	11,043,408
Bureau of Natural Resources	61,819,758		58,728,299		60,213,472		65,139,345
Bureau of Environmental Protection	32,534,974		32,397,795		32,252,523		32,506,754
Total	\$ 103,951,092	\$	102,159,164	\$	103,471,012	\$	108,689,507
Expenditures by Category							
Salaries and Benefits	\$ 50,882,714	\$	50,288,146	\$	51,182,238	\$	51,800,733
Contracted Services	8,314,048		7,652,815		6,946,945		6,946,945
Subtotal	\$ 59,196,762	\$	57,940,961	\$	58,129,183	\$	58,747,678
Other State Operations	14,727,828		17,563,291		16,367,157		16,367,157
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	7,734,976		7,366,907		7,042,070		7,042,070
Capital	22,241,526		19,238,005		21,882,602		26,482,602
Capital Debt Service	-		-		-		-
Operating Transfers	50,000		50,000		50,000		50,000
Total	\$ 103,951,092	\$	102,159,164	\$	103,471,012	\$	108,689,507
Sources of Funds							
General Revenue	\$ 39,304,184	\$	40,346,751	\$	41,222,720	\$	41,841,215
Federal Aid	33,399,312		34,487,171		31,763,160		31,763,160
Restricted Receipts	17,374,083		17,654,218		17,580,291		17,580,291
Other	13,873,513		9,671,024		12,904,841		17,504,841
Total	\$ 103,951,092	\$	102,159,164	\$	103,471,012	\$	108,689,507
FTE Authorization	400.0		400.0		400.0		395.0

Summary. The Department requested \$108.3 million for FY 2019, which is \$4.3 million more than enacted and includes \$1.1 million more from general revenues, \$2.2 million less from federal funds, \$0.2 million more from restricted receipts and \$5.3 million more from other funds, primarily Rhode Island Capital Plan funds. The Department requested 414.0 full-time equivalent positions, which is 14.0 more than enacted.

The Department also submitted a constrained request that totals \$104.2 million and includes \$4.0 million less from general revenues than the unconstrained request. The constrained request excludes the newly requested positions and eliminates 27.0 currently authorized positions.

The Governor recommended \$103.5 million from all sources, which is \$0.5 million less than enacted and \$4.8 million less than requested. She recommended the enacted level of 400.0 positions. As of the pay period ending January 20, the Department had 27.0 vacancies. Excluding centralized services transferred from the Department of Administration, the recommendation is \$3.0 million less than enacted and \$7.3 million less than requested. General revenues are \$0.6 million less than enacted and \$1.6 million less than requested. The Assembly provided \$5.2 million more than recommended from all funds, including

\$0.6 million more from general revenues. This includes \$0.8 million for statewide cost-of-living adjustments. The Assembly also eliminated 5.0 vacant full-time equivalent positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$36.0 million. The amount includes current service adjustments of \$0.3 million and a 10.0 percent target reduction of \$3.6 million. The Department’s request is \$0.8 million above the target.

The constrained budget proposed by the Department is \$90,641 more than the target. The proposals to achieve the reductions are noted among the following items, where appropriate. *Excluding funding added for centralized services, the recommendation is \$2.7 million above the target. The enacted budget is \$3.3 million above the target.*

FY 2019 Budget	Budget Office		DEM	Difference		
FY 2018 Enacted	\$	39,304,184	\$	39,304,184	\$	-
Current Service Adjustments		303,518		42,816		(260,702)
New Initiatives		-		1,011,506		1,011,506
Change to FY 2018 Enacted	\$	303,518	\$	1,054,322	\$	750,804
FY 2019 Current Service/ Unconstrained Request	\$	39,607,702	\$	40,358,506	\$	750,804
Target Reduction/Initiatives		(3,576,634)		(4,236,797)*		(660,163)
FY 2019 Constrained Target/Request	\$	36,031,068	\$	36,121,709		90,641
Change to FY 2018 Enacted	\$	(3,273,116)	\$	(3,182,475)	\$	90,641

*Note: Adjusted to reflect intended total

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor’s recommended budget does not include any funding set aside pending the outcome of contract negotiations. The Assembly included \$0.8 million from general revenues for FY 2019.*

Undistributed Savings. The FY 2018 Budget included \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor’s revised budget included a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Environmental Management, some of the savings identified in the revised budget carry into FY 2019. These include the elimination of a hearing officer position for a savings of \$0.2 million, the elimination of the clean diesel program for a savings of \$1.0 million, and savings of \$145,546 as a result of the voluntary retirement incentive program. The Assembly concurred and further reduced general revenues by \$0.2 million to reflect additional savings available from the voluntary retirement incentive program.*

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor’s budget adds \$2.5 million from general revenues and \$10,620 from restricted receipts for the Department of Environmental Management for its share of centralized services. This includes \$595,719 from general revenues for human resources services and the remaining \$1.9 million for information technology services. The Assembly concurred.*

Staffing. The Department's FY 2019 request includes \$52.5 million from all sources for 414.0 full-time equivalent positions. The request is \$1.6 million more than enacted, including \$2.1 million more from general revenues and \$0.6 million less from federal funds. It contains both new positions and shifts of funds from federal to state sources. Excluding \$1.4 million from general revenues requested to fund the 14.0 new positions, general revenues increase by \$0.7 million. The increase includes current service adjustments totaling \$0.3 million and \$0.4 million to replace lost federal funds.

*The Governor recommended \$0.3 million more than enacted from all sources and 400.0 full-time equivalent positions. She recommended that 2.0 new positions, discussed later, be funded from federal sources and that the Department eliminate 2.0 positions to remain within its enacted authorization. The recommendation is \$1.6 million less than requested from general revenues. Excluding the \$100,634 in statewide benefit adjustments, the recommendation increases general revenues by \$0.4 million while decreasing federal funds by a like amount. This represents funding the requested cost shifts. **The Assembly provided \$0.8 million for cost-of-living adjustments offset by \$0.2 million in savings identified from the voluntary retirement incentive program, eliminated 5.0 vacant full-time equivalent positions, which represents approximately one-eighth of the Department's vacancies as of May 2018, and concurred with the remainder of the recommendation.***

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 provides facilities that support a diversity of outdoor recreational activities.

Foundry Lease. The Department requested \$2.7 million, or \$0.2 million less than enacted from general revenues for lease-related expenses at its headquarters facility, located at the Foundry Building in Providence. This includes \$0.3 million less for property taxes, \$12,222 less for natural gas, and \$0.1 million more for electricity based on new terms of the lease that went into effect for FY 2018. In the previous lease, the Department paid the electricity once a year for the previous year. Included in the previous lease was a yearly credit allowance for electricity of \$118,750. In the new lease, the Department pays monthly and there is no longer a credit allowance. For FY 2018, the Department also owes for the previous year's electricity, without the credit. Therefore, the supplemental funding is for the following: the previous year's electricity and the next year's, a total of \$416,870. The FY 2019 electricity request is only for one year, \$208,000. The new lease also shifts the cost of property taxes to the lessor. As a result of the new lease, the Department will save \$162,580 in FY 2019.

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. *The Governor recommended funding as requested. **The Assembly concurred.***

Bays, Rivers and Watersheds. The Department requested \$0.2 million, or \$0.2 million less than enacted from the Bays, Rivers and Watershed restricted receipts to reflect the anticipated completion of several projects in FY 2018, the largest one being the Narragansett Bay Regional Stormwater Management Initiative. The fund is derived from fees collected for the disposal of septage from a \$1 per hundred gallons charge on septage disposal in the state. Pursuant to Article 16 of 2015-H 5900, Substitute A, as amended, 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 recommended funding as requested. **The Assembly concurred.***

Hearing Officers. The Department requested \$0.5 million from general revenues, which is \$49,170 more than enacted for 1.0 chief hearing officer and 1.0 hearing officer within the Office of Administrative

Adjudication. The Office adjudicates all appeals of enforcement actions taken by the many regulatory programs within the Department and hears enforcement appeals for alleged violations. According to Rhode Island General Laws, Section 42-17.7-3, the Governor has the power, with the advice and consent of the Senate, to appoint up to four hearing officers for the Office. The request appears to overstate the base salaries for both positions.

*The Governor's recommended budget removes funding and authorization for one hearing officer position in FY 2019 for a savings of \$0.2 million and corrects the overstated salary for the other. Although the officer's five-year term expired March 2017 and has not been renewed, the position has remained filled. The Governor's revised FY 2018 recommendation lays off the officer, resulting in turnover savings of \$53,615 from March 1 through the end of FY 2018, and leaves the Office of Administrative Adjudication with one chief hearing officer. The Governor's FY 2019 recommendation fully funds the remaining hearing officer. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$5.0 million from all sources, or \$0.1 million more than enacted for salaries and benefits in the Office of the Director, including \$2.2 million from general revenues and \$2.9 million from restricted receipts. The request would fully fund the enacted level of 40.5 full-time equivalent positions; the Department currently has one vacancy and there is no turnover in the enacted budget. The request reflects a position being relocated to the Office of the Director from the Bureau of Environmental Protection, which has a value of \$104,625, and benefit adjustments consistent with Budget Office planning values. *The Governor recommended \$0.1 million less than requested from all sources, primarily from general revenues. The decrease is reflective of carryover savings of \$0.1 million from the voluntary retirement incentive program offset by statewide benefit adjustments. **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.***

Other Operations. The Department requested \$1.1 million or \$0.2 million more than enacted from all sources for all other expenses in the Office of the Director. The request includes \$5,888 more from general revenues and \$0.2 million more from federal funds. Increased general revenues are for office supplies and expenses for legal staff. The increase to federal funds reflects a new federal grant for the Department for One-Stop Reporting, a data exchange grant from the Environmental Protection Agency.

The majority of the request, \$0.5 million from restricted receipts, supports the administration of the 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, Substitute A, as amended, increased the administrative percentage to 10.0 percent or \$0.3 million, whichever is greater. *The Governor recommended funding as requested. **The Assembly concurred.***

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 oil and chemicals spills.

Air Quality Specialist (2.0 FTE). The Department requested \$0.2 million from general revenues and authorization for 2.0 new air quality specialist positions to improve response time in the Office of Air Resources' permitting programs. The Department noted that it has a significant backlog of permit applications for pre-construction permits resulting in an increase in processing time for applications. The request reflects funding for the entire year. These positions were requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new positions; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Other Air Resources Staffing. The Department requested \$3.5 million, or \$0.2 million less 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 less from general revenues, \$0.1 million less from federal funds, and \$0.1 million less from restricted receipts. The Office is responsible for the preservation, protection and improvement of air quality in Rhode Island. There is no turnover in the enacted budget. The request reflects \$16,454 more for current service adjustments. The request also reflects the Department's estimated turnover and associated benefits for FY 2019, \$0.2 million, equivalent to 2.0 positions.

The Department's constrained request includes general revenue savings of \$0.1 million by eliminating an air quality specialist position which is currently filled. *The Governor recommended \$10,497 more than requested, including \$2,341 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly provided funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Environmental Scientist (1.0 FTE). The Department requested \$0.1 million from general revenues and authorization for 1.0 new 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. The request reflects funding for the entire year. The position was requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new position; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new position.* **The Assembly concurred.**

Other Compliance and Inspection Staffing. The Department requested \$3.9 million or \$0.2 million more than enacted for salaries and benefits for 31.0 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, \$856 less from federal funds, and \$68,514 more from restricted receipts. The enacted budget assumed turnover equivalent to 2.0 vacancies, which the Office seeks to restore. The proposed remaining increase includes current service adjustments consistent with Budget Office planning values and an increase to benefits as a result of employee benefit selection.

The Department's constrained request includes general revenue savings of \$0.2 million from eliminating an Environmental Scientist and a Senior Environmental Scientist, both of which are currently filled. *The Governor recommended \$15,113 more than requested from all sources, including \$9,344 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly included funding to reflect**

cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.

Customer and Technical Assistance Staffing. The Department requested \$1.4 million or \$31,785 less than enacted for salaries and benefits for 14.0 full-time equivalent positions for the Office of Customer and Technical Assistance, which provides assistance to the general public, state and local governments, and the business community concerning compliance with rules, regulations, environmental standards, and the permitting process. This includes \$0.1 million less from general revenues and \$43,600 more from federal funds available from the pollution prevention grant. The enacted budget contains turnover equivalent to 2.0 positions. The request reflects current service adjustments consistent with Budget Office planning values and estimated turnover of \$31,785, equivalent to one position remaining vacant for two months.

The Department's constrained request includes general revenue savings of \$0.6 million from eliminating five positions, all of which are currently filled. *The Governor recommended \$4,241 more than requested, including \$3,885 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Waste Management Staffing. The Department requested \$4.7 million, or \$27,682 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 materials released. The enacted budget contains no turnover. The Division currently has 3.0 vacancies. The request consists of current service adjustments consistent with Budget Office planning values and reflects increases as a result of employee benefit selection.

The Department's constrained request includes general revenue savings of \$0.2 million from eliminating 2.0 currently filled positions, a sanitary engineer and a junior sanitary engineer. *The Governor recommended \$19,014 more than requested, including \$213 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Senior Environmental Scientist (1.0 FTE). The Department requested \$0.1 million from general revenues and authorization for one new full-time equivalent position in the Office of Water Resources. The request is for 1.0 senior environmental scientist who would enhance the water quality monitoring program in the Office of Water Resources. Adding a second position would increase the Department's monitoring capacity to identify water pollution problems. The request reflects funding for the entire year. The position was requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new position; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new position.* **The Assembly concurred.**

Lake Management (1.0 FTE). The Department requested \$0.1 million from general revenues and authorization for one new full-time equivalent position in the Office of Water Resources. The request is for 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. Currently, the Office of Water Resources works in conjunction with a volunteer program at the University of Rhode Island to monitor the health of the state's lakes. The Department believes that a lake management program is essential to

maintain both the environmental and economic value of these resources. The request reflects funding for the entire year. The position was requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new position; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new position.* **The Assembly concurred.**

Other Water Resources Staffing. The Department requested \$7.8 million, or \$0.1 million more than enacted for salaries and benefits for 68.0 full-time equivalent positions for the Office of Water Resources. This includes \$0.3 million more from general revenues, \$0.1 million more from restricted receipts, and \$0.3 million less from federal funds. The request reflects a shift to general revenues as the Office has less available funding from some of its federal grants. The Office is responsible for the state's water resources that are used for recreation, habitat and commerce. The enacted budget contains turnover equivalent to 4.0 positions. The increase includes current service adjustments consistent with Budget Office planning values and funds to restore turnover equivalent to 1.0 of these positions.

The Department's constrained request includes general revenue savings of \$0.4 million from eliminating three positions, two senior environmental scientists and a civil engineer, all of which are currently filled. *The Governor recommended \$21,907 more than requested from all sources, including \$14,198 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Other Salaries and Benefits. The Department requested \$0.3 million from general revenues or \$30,450 more than enacted for all other salaries and benefits in the Bureau of Environmental Protection, which includes the office of the associate director of environmental protection. The enacted budget includes turnover equivalent to 0.5 positions. The proposed increase reflects current service adjustments consistent with Budget Office planning values and restoring that turnover. *The Governor recommended \$1,408 more than requested to reflect statewide benefit adjustments.* **The Assembly provided funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Air Toxic Ambient Monitoring. The Department requested \$0.2 million from federal funds from a 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 request is \$50,192 less than the enacted budget and reflects the remaining balance of the grant. *The Governor recommended funding as requested.* **The Assembly concurred.**

Clean Diesel Program. The Department's request excludes funds for the Clean Diesel Program, for which the enacted budget includes \$1.0 million. The Department's FY 2018 revised request proposed a \$0.5 million reduction to meet the \$25.0 million of undistributed savings in the enacted budget. The 2016 Assembly included Article 16 of 2016-H 7454, Substitute A, as amended, to establish a Rhode Island Clean Diesel Fund. The Department accepted applications for its first and presumably only grant round in May 2017. The Department indicated that as of February 2018, the grants had been given out. The purpose of the grant program was to reduce emissions from heavy-duty diesel engines operating on state roads and help companies improve supply chain efficiency. The law allowed for up to ten percent of funds to be used for administration and outreach. *The Governor concurred. Her FY 2018 revised budget reduces funding to \$250,000.* **The Assembly concurred.**

Non-Point Source Pollution Management. The Department requested \$0.8 million from federal funds or \$0.1 million less than enacted for its non-point source pollution management program. The request reflects a reduction in the expected carry forward from previous years. Non-point sources of pollution are those that cannot be tracked to a single pipe or discharge point, such as overland stormwater runoff and failing

septic systems. The Department provides grants for projects that reduce and manage non-point source points of pollution. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rose Hill Landfill. The Department requested \$0.2 million from general revenues or \$15,000 more 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 indicated it is difficult to predict how much maintenance will be needed in a given year. The request is based on actual FY 2017 expenditures; however, the increase is not requested in the Department's FY 2018 revised request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Federal Grants. The Department requested \$3.6 million or \$8,000 more than enacted from federal funds from the remaining 26 grants in the Bureau of Environmental Protection. The request reflects funding for programs including \$0.3 million for the national pollution discharge program, \$0.6 million for air pollution control, \$0.6 million for groundwater, \$0.4 million for Rhode Island Brownfields, \$0.1 million for the Department of Defense sites restoration, \$0.2 million for Homeland Security, \$0.3 million for the leaking underground storage tanks, \$0.1 million for air monitoring, and \$0.1 million for dam incident reporting. *The Governor recommended funding as requested.* **The Assembly concurred.**

Oil Spill Prevention, Administration and Response Fund. The Department requested \$1.3 million from restricted receipts or \$0.1 million 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 spills 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, \$1.1 million in FY 2016, and \$1.0 million in FY 2017. The Department indicated that the increase is needed to support 13 United States Geological Service stream-gauge stations, 19 groundwater observation wells, and 5 water quality monitor stations across the state, but could not specify the area needing the increase. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Department requested \$4.0 million from all sources, or \$0.1 million more than enacted, for all other expenses in the Bureau of Environmental Protection. The request includes \$49,950 more from general revenues and \$0.1 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 general revenues reflects work to be done for the Office of Water Resources as part of the one-stop reporting grant. The increase to restricted receipts primarily reflects \$61,000 more for the water and air protection programs and \$69,800 more for the state revolving fund administration. *The Governor recommended funding as requested.* **The Assembly concurred.**

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.

Administration Staffing. The Department requested \$2.3 million or \$0.1 million more than enacted for salaries and benefits of the Natural Resources Administration, which is responsible for the administration

of the subdivisions of the Bureau of Natural Resources. The administration has 18.0 full-time equivalent positions and there is no turnover in the enacted budget. The request includes \$13,479 more from general revenues, \$124 more from federal funds, \$2,866 more from restricted receipts, and \$54,762 more from other funds. The request reflects \$16,816 in current service adjustments consistent with Budget Office planning values and an increase of \$53,518 to reflect employee benefit selection.

The Department's constrained request achieves \$0.2 million in general revenue savings from eliminating two positions, an engineering technician and senior environmental scientist, both of which are currently filled. *The Governor recommended \$75,924 less than requested from all sources, including \$76,920 less from general revenues. The reduction represents turnover offset by statewide benefit adjustments. Additionally, the Governor recommended removing 1.0 position from the Department to remain within its enacted authorization of 400.0 positions, but does not specify which position should be removed. As of the Governor's budget submission, the Department had 10.0 vacancies within the Bureau of Natural Resources.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Agriculture and Resource Marketing Positions (2.0 FTE). The Department requested \$0.2 million from general revenues and authorization for a new 1.0 implementation aide position and 1.0 deputy chief position in the Division of Agriculture. The Department indicated the positions would focus on economic development within agriculture, seafood and local food businesses. The request reflects funding for the entire year. Both of these positions were requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new positions; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Food Safety Modernization Positions (2.0 FTE). The Department requested \$0.2 million from general revenues and authorization for a new 1.0 implementation aide position and 1.0 programming services officer in the Division of Agriculture. The Department indicated that it needs new staff to work on the produce safety rule of the Food Safety Modernization Act, which was transferred to the Department from the Department of Health by the 2017 Assembly. The rule became effective January 2018. The request reflects funding for the entire year.

The Department's constrained request intended to exclude the new positions; however, the total requested funding does not reflect the exclusion. *The Governor recommended \$0.2 million from federal funds for these new positions and associated operating costs for the program. The recommendation reduces 2.0 positions elsewhere to remain within the enacted staffing authorization.* **The Assembly concurred.**

Other Agriculture Staffing. The Department requested \$2.0 million for salaries and benefits for the 15.0 positions in the Agriculture division, or \$35,092 less than enacted. The division works to sustain, promote and enhance Rhode Island's agricultural viability today and for generations to come. This includes \$0.1 million less from general revenues and \$0.1 million more from federal funds. The request includes current service adjustments consistent with Budget Office planning values. There is no turnover in the enacted budget. The decrease reflects turnover in the division equivalent to 1.0 position for three months.

The Department's constrained request achieves \$0.2 million in general revenue savings from eliminating two positions, a senior environmental planner and a public health veterinarian, both of which are currently filled. *The Governor recommended \$6,777 more than requested from all sources, including \$4,950 from general revenues, to reflect statewide benefit adjustments.* **The Assembly provided funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Environmental Police Officer New Positions (3.0 FTE). The Department requested \$0.3 million from general revenues and authorization for 3.0 new environmental police officers in the Division of Enforcement. The officers would address what the Department has called the “continued expansion of visitors” to the state’s parks and beaches, as well as the increase of recreational boaters. The Department noted that during calendar year 2017, the dispatch for the Division of Enforcement handled 20,318 calls for service, 2,000 more calls than in 2016. The request reflects funding for the entire year. These positions were requested for FY 2018 but not funded.

The Department’s constrained request intended to exclude the new positions; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Other Enforcement Staffing. The Department requested \$5.1 million or \$7,213 less than enacted for the Division of Enforcement in the Bureau of Natural Resources, which is responsible for the protection of natural resources and ensuring compliance with all environmental conservation laws through law enforcement and education, while constantly maintaining the health and safety of the public. The request is for the enacted level of 43.0 full-time equivalent positions and reflects \$0.2 million more from general revenues, \$0.2 million less from federal funds, and \$1,238 more from restricted receipts. The request includes current service adjustments consistent with Budget Office planning values and a cost shift from federal funds to general revenues as a result of less funding from two of the Department’s grants.

The Department’s constrained request achieves \$0.2 million in savings from eliminating an environmental police officer position, which is currently filled. *The Governor recommended \$13,690 more than requested from all sources, including \$9,049 more from general revenues, to reflect statewide benefit adjustments.* **The Assembly provided funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

Fish and Wildlife Staffing. The Department requested \$5.9 million or \$0.1 million less than enacted for salaries and benefits for 53.0 full-time equivalent positions for the Division of Fish and Wildlife. This includes \$74,451 less from general revenues, \$3,610 more from federal funds, and \$12,683 less from restricted receipts. The Division 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. There is no turnover in the enacted budget. The request consists of current service adjustments consistent with Budget Office planning values and turnover equivalent to 1.0 vacancy for eight months.

The Department’s constrained request achieves \$0.1 million in savings from eliminating a currently vacant pier supervisor position, and an assistant administrative officer, which is currently filled. *The Governor recommended \$32,753 more than requested from all sources, including \$4,334 from general revenues, to reflect statewide benefit adjustments.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Forest Environment Staffing. The Department requested \$1.3 million or \$0.1 million less than enacted for salaries and benefits for the 15.0 positions of the Division of Forest Environment in the Bureau of Natural Resources. The Forest Environment Program manages 40,000 acres of state-owned rural forestland. It coordinates a statewide forest fire protection plan, provides forest fire protection on state lands, assists rural volunteer fire departments, and refers development of forest and wildlife property management plans to consultants. The enacted budget contains turnover equivalent to 2.0 positions. The request reflects \$0.1 million more from general revenues and \$0.2 million less from federal funds, as well as a cost shift resulting from the end of one federal grant and decrease of another. The request includes

current service adjustments consistent with Budget Office planning values and turnover equivalent to 1.0 position.

The Department's constrained request achieves \$0.1 million in savings from eliminating a senior forest ranger position, which is currently filled. *The Governor recommended \$2,807 more than requested from all sources, including \$2,220 from general revenues, to reflect statewide benefit adjustments.* **The Assembly provided funding for cost-of-living adjustments and concurred with the remainder of the recommendation.**

New Park Manager Positions (2.0 FTE). The Department requested \$0.2 million from general revenues and authorization 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 properly manage high volume attractions and to provide adequate oversight and supervision of seasonal employees. The request reflects funding for the entire year. These positions were requested for FY 2018 but not funded.

The Department's constrained request intended to exclude the new positions; however, the total requested funding does not reflect the exclusion. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Parks and Recreation Seasonal Staff. The Department requested \$3.5 million, or \$0.2 million more than enacted, from general revenues for seasonal staff for the recreation program to reflect actual spending from FY 2017 and the projected impact of the pending minimum wage increase. The Department's FY 2018 revised request includes a \$73,262 adjustment to base expenses. The Department's FY 2019 request also adds \$107,533 for the full impact of the 2018 wage increase as well as \$65,783 to account for the \$0.40 increase that goes into effect January 1, 2019. *The Governor recommended \$11,783 more than requested to reflect statewide benefit adjustments.* **The Assembly concurred.**

Other Parks and Recreation Staffing. The Department requested \$3.9 million from general revenues or \$0.1 million more than enacted for salaries and benefits for 40.0 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. There is turnover equivalent to 6.0 positions in the enacted budget. The proposed increase includes current service adjustments consistent with Budget Office planning values and restoring turnover equivalent to 1.0 position.

The Department's constrained request includes general revenue savings of \$0.5 million in the Division of Parks and Recreation, which would be achieved by staffing reductions. The affected positions would be two park managers, an administrative officer, a senior reconciliation clerk, a clerk, and a senior maintenance technician. Only the senior maintenance technician is currently vacant. *The Governor recommended \$3,231 less than requested to restore turnover and for statewide benefit adjustments.* **The Assembly included funding to reflect cost-of-living adjustments, offset by savings from the voluntary retirement incentive program, and concurred with the remainder of the recommendation.**

Parks and Recreation Operations. The Department requested \$2.9 million from general revenues or \$46,550 less than enacted for non-staffing expenses for its Division of Parks and Recreation. The decrease is a result of \$80,000 less for state fleet costs, offset by increases to waste disposal and insurance costs. The Department's request is \$0.3 million less than spent in FY 2017 and approximately \$17,000 less than the Department's revised request. It should be noted that for the last five fiscal years, the Department has overspent by an average of \$0.2 million. In previous years overspending was often a result of unexpected repairs, which do not appear to be accounted for in this request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Eisenhower House. Consistent with the enacted budget, the Department requested \$138,150 from restricted receipts and \$50,000 from general revenues for staffing, operations, and maintenance at the Eisenhower House. The 2017 Assembly enacted Article 7 of 2017-H 5175, Substitute A, as amended, which transferred the operations of the House, including its staff and funding, to the Department of Environmental Management during FY 2017. *The Governor recommended funding as requested. The Assembly concurred.*

Pilot Permit Bank Program. The Department's request excludes \$1.0 million from federal funds included in the enacted budget for the administration of the permit bank program. The Department began the program in 2010 but indicated this program ended during the last fiscal year. A permit bank is a collection of fishing permits that are purchased and held by an organization, in this case the state, and then used to provide additional access rights such as days-at-sea and annual catch share to qualifying fishing vessels. *The Governor concurred. The Assembly concurred.*

Fish and Wildlife Construction Program. The Department requested \$2.0 million or \$0.2 million less than enacted from federal funds for the Division of Fish and Wildlife's construction program. This is an ongoing project. The grant allows agencies to support activities designed to restore, conserve, manage, or enhance sport fish populations, the public use and benefits from these resources, and activities that provide boat access to public waters. The decrease reflects the exclusion of a one-time expense for design and engineering services to prepare for boat ramps in FY 2018. *The Governor recommended funding as requested. The Assembly concurred.*

Fish Passage Improvements. The Department's request excludes the \$0.1 million from federal funding in the enacted budget for fish passage improvements as the multi-year grant has ended. The grant funded Department efforts to improve the navigability of Rhode Island's waterways for aquatic life. Methods of improvements included fish ladders for bypassing dams or the removal or alteration of dams. *The Governor concurred. The Assembly concurred.*

Atlantic Coastal Cooperative Statistics Program. The Department requested \$0.1 million from federal funds, or \$30,000 less than enacted for advancing black sea bass data collection utilizing modern technology and a fishing vessel research fleet approach in partnership with the Commercial Fisheries Research Foundation. The funds received for this program come from the National Oceanic and Atmospheric Administration. The decrease reflects the winding down of the project. *The Governor recommended funding as requested. The Assembly concurred.*

Great Swamp Shooting Range Expansion. The Department requested \$1.4 million, or \$0.5 million more than enacted, to expand the existing shooting range at the Great Swamp Management Area in West Kingston to include eight additional lanes that are 100 yards long to complement the existing 50-yard range. The request includes \$0.9 million from federal funds from a grant awarded from the United States Fish and Wildlife Service and is supplemented with \$0.6 million from hunting license receipts. The Department indicated that the project should be completed in FY 2019. *The Governor recommended funding as requested. The Assembly concurred.*

Mitigation of Multispecies Fishery Disaster. The Department's request excludes the \$1.0 million from federal funds in the enacted budget to reflect the end of a grant in a series of grants awarded by the National Oceanic and Atmospheric Administration as a result of the 2012 ground fish disaster declaration. The grant ended during the last fiscal year and the item was unintentionally included in the FY 2018 enacted budget. *The Governor concurred. The Assembly concurred.*

Recreational Projects. The Department requested \$2.3 million from other funds, or \$1.1 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 Department indicated that the increase for FY 2019 is for projects which have yet to be determined. In FY 2017, the Department underspent its final appropriation for these projects by \$1.3 million. The Department did not request to carry forward any of this funding in the revised FY 2018 request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Host Beach Communities. The Department requested \$0.5 million from general revenues, or \$56,234 less than enacted for payments to host beach communities, consistent with the revised request. The request reflects the anticipated payments to the host beach communities based on actual 2017 collections. 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 recommended funding as requested.* **The Assembly concurred.**

Other Federal Grants. The Department requested \$12.6 million or \$0.3 million more than enacted from federal funds to more accurately reflect the Department's remaining funds from 51 grants in the Bureau of Natural Resources. The request includes \$0.8 million for the Division of Agriculture, \$1.8 million for the Division of Enforcement, \$0.3 million for the Division of Forest Environment and \$1.8 million for the administration of the Bureau of Natural Resources. *The Governor recommended \$327,100 more than requested to reflect grants received following the budget submission. The increase includes \$246,900 for coyote ecology and outreach and \$80,200 to study sturgeon in state waters.* **The Assembly concurred.**

Capital Projects. The Department requested \$16.6 million from all sources, or \$4.2 million more from Rhode Island Capital Plan funds than enacted, for 15 capital projects. 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 more than enacted to reflect revised project schedules and construction cost estimates. The Department's request is consistent with its FY 2019 through FY 2023 capital request. *The Governor recommended \$2.0 million less than enacted as funding from the Green Economy and Clean Water general obligation bond to be included on the November 2018 ballot is anticipated to supplant Rhode Island Capital Plan funds.*

The Governor subsequently requested an amendment which shifts \$4.4 million to FY 2019 from FY 2018 to reflect updated timelines for a number of projects. **The Assembly included a \$47.3 million general obligation bond and revised a number of projects funded from Rhode Island Capital Plan funds based on updated schedules. The projects are described in detail in the Capital Budget section of this publication.**

World War II State Park Transition to Woonsocket. Consistent with the enacted budget, the Department requested \$250,000 from general revenues for the fourth 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 recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Department requested \$3.4 million or \$188,300 less than enacted from all funds for other expenses in the Bureau of Natural Resources. This includes \$4,303 more from general revenues, and \$192,603 less from restricted receipts. The request includes \$0.1 million for enforcement activities, \$0.1 million for forest environment, \$0.1 million for the boating registration, \$0.3 million for agriculture

operating expenses, and \$0.1 million for the state forestry fund. The request also includes \$0.1 million more from shellfish and marine license receipts to support the significant work that needs to be done at the Fort Wetherill site. *The Governor recommended funding as requested.* **The Assembly concurred.**

Coastal Resources Management Council

	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 3,515,006	\$ 3,500,512	\$ 3,529,990	\$ 3,777,250
Contracted Services	264,879	309,840	211,660	176,660
Subtotal	\$ 3,779,885	\$ 3,810,352	\$ 3,741,650	\$ 3,953,910
Other State Operations	188,800	328,648	169,578	169,578
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	355,184	2,691,779	1,663,936	1,613,936
Capital	513,000	154,000	681,000	731,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 4,836,869	\$ 6,984,779	\$ 6,256,164	\$ 6,468,424
Sources of Funds				
General Revenue	\$ 2,487,578	2,470,958	\$ 2,597,897	\$ 2,760,157
Federal Aid	1,649,291	4,213,821	2,733,267	2,733,267
Restricted Receipts	250,000	250,000	250,000	250,000
Other	450,000	50,000	675,000	725,000
Total	\$ 4,836,869	\$ 6,984,779	\$ 6,256,164	\$ 6,468,424
FTE Authorization	29.0	29.0	29.0	30.0

Summary. The Coastal Resources Management Council requested \$6.5 million from all sources, which is \$1.7 million more than the enacted budget, including \$0.6 million more from general revenues, \$1.1 million more from federal funds, and \$0.1 million less from Rhode Island Capital Plan funds. The Council requested 34.0 full-time equivalent positions, which is 6.0 more than the enacted budget. The Council also submitted a constrained request that excludes the new positions and eliminates several current staff. *The Governor recommended \$6.3 million, which is \$1.4 million more than enacted and \$0.3 million less than requested. Excluding centralized services transferred from the Department of Administration, the recommendation is \$14,288 less than enacted from general revenues and \$2.4 million more from all funds. The Governor recommended the enacted level of 29.0 full-time equivalent positions.* **The Assembly provided \$0.2 million more than the recommendation, including \$58,383 for cost-of-living adjustments, and increased the staffing authorization to 30.0 full-time equivalent positions.**

FY 2019 Budget	Budget Office	CRMC	Difference
FY 2018 Enacted	\$ 2,487,578	\$ 2,487,578	\$ -
Current Service Adjustments	22,961	22,961	-
New Initiatives	-	612,086	612,086
Change to FY 2018 Enacted	\$ 22,961	\$ 635,047	\$ 612,086
FY 2019 Current Service/Unconstrained Request	\$ 2,510,539	\$ 3,122,625	\$ 612,086
Target Reduction/Initiatives	(251,054)	(288,691)	(37,637)
FY 2019 Constrained Target/Request	\$ 2,259,485	\$ 2,833,934	\$ 574,449
<i>Change to FY 2018 Enacted</i>	<i>\$ (228,093)</i>	<i>\$ 346,356</i>	<i>\$ 574,449</i>

Target Issues. The Budget Office provided the Council with a general revenue target of \$2.3 million. The amount includes current service adjustments of \$22,961 and a 10.0 percent target reduction of \$0.3 million. The constrained budget submitted by the Council is \$574,449 above the target. Among the new proposed initiatives are the 5.0 requested positions which were inadvertently included in the constrained request. The proposals to achieve the reductions are noted among the following items, where appropriate. *Excluding centralized services, the Governor's recommendation is \$0.3 million above the target.* **The enacted budget is \$0.5 million more than the target.**

Statewide Cost-of-Living Adjustment. In the spring of 2018, the Governor reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective January 2018, 2.5 percent effective January 2019, 2.0 percent effective July 2019, and 1.0 percent effective January 2020. The estimated statewide general revenue impact is \$7.0 million for FY 2018 and \$20.0 million for FY 2019. *The Governor's recommended budget does not include any funding set aside pending the outcome of contract negotiations.* **The Assembly included \$58,383 from general revenues for FY 2019.**

Supervising Environmental Scientist (2.0 FTE). The Council requested \$0.2 million from general revenues for 2.0 new supervising environmental scientist full-time equivalent positions for FY 2019. The supervising environmental scientists would aide in the enforcement of 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 the positions will be filled for the start of the year. The Council requested new positions in the last three budget cycles, but the Assembly did not include them in the enacted budget, nor did the Governor recommend them. The Council's constrained request eliminated two to three unidentified current positions. The Council indicated that the constrained request should not include the two new positions. *The Governor did not recommend staffing or funding.* **The Assembly concurred.**

Environmental Scientist (1.0 FTE). The Council requested \$0.1 million from general revenues for 1.0 new environmental scientist full-time equivalent position for FY 2019. The environmental scientist would assist with permitting related to statewide regulatory policies and standards for any work in or near freshwater wetlands, which were established in 2015. The request assumes that the position will be filled for the start of the year. The Council requested new positions in the last three budget cycles, but the Assembly did not include them in the enacted budget, nor did the Governor recommend them. The Council's constrained request eliminated two to three unidentified current positions. The Council indicated that the constrained request should not include any new positions. *The Governor did not recommend staffing or funding.* **The Assembly concurred.**

Coastal Policy Analyst (3.0 FTE). The Council requested \$0.3 million from general revenues for 3.0 new coastal policy analyst full-time equivalent positions for FY 2019. The coastal policy analysts would be involved with the work on the Council's special area management plans. The request assumes that the positions will be filled for the start of the year. The Council requested new positions in the last three budget cycles but the Assembly did not include them in the enacted budget, nor did the Governor recommend them. The Council's constrained request eliminated two to three unidentified current positions. The Council indicated that the constrained request should not include any new positions. *The Governor did not recommend staffing or funding.* **The Assembly concurred.**

Other Salaries and Benefits. The Council requested \$3.6 million, or \$0.1 million more than enacted from all sources, for salaries and benefits to fully fund its 29.0 full-time equivalent authorized positions. The request includes \$22,961 in benefit adjustments consistent with planning values for FY 2019, \$68,399 to restore turnover savings assumed in the enacted budget, and \$13,562 for step increases and associated benefits. The Council currently has one vacancy, a principal ocean engineer. The Council indicated that 1.0 full-time equivalent position with a cost of \$113,119 will not be filled in FY 2018 to achieve the turnover in the enacted budget. The Council's constrained request eliminated two to three currently authorized

positions at an estimated savings of \$0.4 million. The Council declined to publicly identify the positions it proposes to eliminate or the potential impact.

*The Governor recommended \$14,984 more than enacted, including \$27,953 more from general revenues and \$12,969 less from federal funds. The increase to general revenues reflects statewide benefit adjustments. The recommendation does not restore any turnover and funds 28.0 of the Council's 29.0 positions. **The Assembly added \$0.1 million for cost-of-living adjustments and \$0.2 million and authorization of a new ocean engineer position, for a total authorization of 30.0 positions. This allows the Council to fill the vacant ocean engineer position and hire an additional one to assist with wind energy projects; funding reflects the expectation that it will take a couple of months to fill the position.***

Beach Profile Monitoring. The request includes \$15,000 from general revenues for the Council to monitor the migration off the shore barrier at Charlestown. Funding for this initiative was included in the final FY 2017 budget, but excluded from the FY 2018 enacted budget. The Council indicated it sees a need for comprehensive planning and monitoring to address the impacts of storm surge, flooding, sea level rise and erosion. It argued the monitoring is a valuable management tool for the state to tackle coastal issues such as water quality and coastal development patterns. This would be an annual request, with equipment, data monitoring, and data modeling generation constituting the driving costs. *The Governor recommended funding as requested. **The Assembly did not provide the general revenues.***

StormTools. The Council requested \$145,495, including \$50,000 from general revenues and \$94,995 from federal funds, to support a new data project called StormTools. Developed by the Council and the University of Rhode Island, StormTools shows detailed risks and maps associated with any property in the coastal zone resulting from storm activity. The funding would allow the Council to partner with the University of Rhode Island Environmental Data Center to host and maintain StormTools going forward. There is no funding in the enacted budget for this initiative as the Council indicated it received the grant in September 2017. This would be an annual request. Subsequent to the budget submission, the Council noted that the request for federal funding was understated by \$61,962. *The Governor recommended \$50,000 from general revenues and \$156,957 from federal funds to fully fund the project. **The Assembly did not provide the general revenues.***

Aquatic Invasive Species. The Council requested \$19,023, or \$12,895 more 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 request reflects funding from a new grant the Council received for this project. *The Governor recommended funding as requested. **The Assembly concurred.***

Shoreline Change (Beach) Special Area Management Plan. The Council requested \$156,957 from federal funds to continue the beach special area management plan in FY 2019. The Council indicated that this plan supports the goals and objectives in Governor Raimondo's Executive Order 17-10 "Action Plan to Stand up to Climate Change" signed on September 15, 2017. The Council will provide technical support to state and municipal staff and other decision makers to apply planning guidance and decision making tools to enhance the resiliency of Rhode Island communities from coastal hazards. There is no funding in the enacted budget as the grant was received in September 2017. Subsequent to the budget submission, the Council noted that the request for federal funding was overstated by \$61,962. *The Governor recommended \$94,995 from federal funds to fully fund the project. **The Assembly concurred.***

Coastal Environmental Risk Indices. The Council requested \$67,557, or \$27,557 more than enacted, from federal funds to finalize the development of two Coastal Environmental Risk Indices in collaboration with the University of Rhode Island. Funding reflects two new federal grants, one from the National Oceanic and Atmospheric Administration and one from the Department of Housing and Urban Development. The indices will provide a summary of the risk that coastal areas face from the environment,

specifically storm induced flooding and the associated wave environment, sea level rise, and shoreline erosion/accretion and apply the index to selected coastal pilot sites. *The Governor recommended funding as requested.* **The Assembly concurred.**

Quonochontaug Resiliency. The Council requested \$942,103 from federal funds to restore Quonochontaug Pond in Charlestown and Westerly. Funding for this effort is from a grant awarded to the Council in August of 2017 from the National Oceanic and Atmospheric Administration. The funds will be used to restore 30 acres of degraded salt marsh in the pond. There is no funding in the enacted budget due to the timing of the award. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Federal Grants. Consistent with the enacted budget, the Council requested \$98,987 from federal funds for two projects, the High Resolution Coastal Inundation project, which will develop tools, information and approaches to support decisions for the expanded implementation and innovation of green infrastructure, and the Shoreline Change Maps and Parcel Data project, which will support recovery planning in all 21 Rhode Island coastal municipalities with existing and updated shoreline change data. *The Governor recommended funding as requested.* **The Assembly concurred.**

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses. *The Governor's budget added \$17,366 from general revenues for the Council's share of centralized information technology services.* **The Assembly concurred.**

Other Operations. The Council requested \$329,698 from all sources for other expenses. The request includes \$143,215 from general revenues and \$186,483 from federal funds. The majority of general revenue funding supports contracted legal services for the Council. The federal funds are part of a grant from the National Oceanic and Atmospheric Administration as part of the Coastal Zone Management Act. The enacted budget contains a total of \$450,021 for these operational expenses. The decrease of \$120,323 reflects the removal of additional federal funds as a result of the expiration of Oregon's redistributed funding, which expired at the end of 2017. The request includes \$60,000 for the Council's vehicle fleet overhead, \$158,000 for legal services, \$29,000 for computer upgrades and information technology support, and \$82,698 for remaining operational expenses. *The Governor recommended funding as requested.* **The Assembly reduced general revenues for legal services by \$20,000 to better reflect recent experience and concurred with the remainder of the recommendation.**

Capital Projects. The Council requested \$0.6 million, including \$0.4 million from Rhode Island Capital Plan funds, \$0.3 million from restricted receipts, and \$9,488 from federal funds for capital projects. This is \$0.1 million less than enacted. The Council's request is not consistent with its recent capital request, which eliminated funding for the South Coast restoration project, the Green Pond study, and the Narrow River restoration and increases funding for the coastal storm risk study. The Council indicated the operating request should match the capital request. *Consistent with the Council's capital request, the Governor recommended \$0.9 million from all sources, including \$0.7 million from Rhode Island Capital Plan funds, for capital projects.*

The Governor subsequently requested an amendment to increase capital expenditures by \$100,000 for FY 2019 reflecting unspent funds from FY 2018. The amendment also shifted \$0.2 million from FY 2018 to the out years, \$50,000 to FY 2020 and \$150,000 to FY 2021. **The Assembly provided funding as recommended but reprogrammed several projects based on revised project schedules. A more detailed analysis of the projects is included in the Capital Budget section of this publication.**

Department of Transportation

	FY 2018		FY 2018		FY 2019		FY 2019
	Enacted		Final		Recommended		Enacted
Expenditures by Program							
Central Management	\$ 11,556,032	\$	12,862,020	\$	11,343,403	\$	11,244,350
Management and Budget	2,942,455		5,637,347		5,282,202		5,822,202
Infrastructure Program	499,566,585		569,567,631		575,807,606		573,954,579
Total	\$ 514,065,072	\$	588,066,998	\$	592,433,211	\$	591,021,131
Expenditures by Category							
Salaries and Benefits	\$ 86,885,543	\$	79,845,624	\$	90,642,128	\$	87,593,075
Contracted Services	38,815,480		43,392,768		49,730,550		41,590,550
Subtotal	\$ 125,701,023	\$	123,238,392	\$	140,372,678	\$	129,183,625
Other State Operations	20,222,722		42,367,351		41,864,702		42,986,941
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	23,265,569		23,871,796		23,384,569		23,384,569
Capital	237,962,734		292,916,712		247,014,126		255,154,126
Capital Debt Service	-		-		-		-
Operating Transfers	106,913,024		105,672,747		139,797,136		140,311,870
Total	\$ 514,065,072	\$	588,066,998	\$	592,433,211	\$	591,021,131
Sources of Funds							
General Revenue	\$ -	\$	-	\$	-	\$	-
Federal Aid	285,390,062		283,412,128		292,015,160		299,540,160
Restricted Receipts	3,168,128		3,086,078		3,034,406		3,034,406
Other	225,506,882		301,568,792		297,383,645		288,446,565
Total	\$ 514,065,072	\$	588,066,998	\$	592,433,211	\$	591,021,131
FTE Authorization	775.0		775.0		795.0		755.0

Summary. The Department of Transportation requested expenditures of \$570.1 million from all sources, \$56.0 million more than enacted. This includes \$5.2 million less from federal funds, \$0.1 million less from restricted receipts, offset by \$61.3 million more from other funds, of which \$41.0 million is from toll revenue. The Department requested 820.0 full-time equivalent positions, 45.0 positions more than enacted.

The Governor recommended \$592.4 million from all funds, including \$292.0 million from federal funds, \$3.0 million from restricted receipts and \$297.4 million from other funds. This is \$78.4 million more than enacted. Excluding expenses for centralized services transferred from the Department of Administration, the recommendation is \$74.5 million more than enacted and \$18.5 million more than requested. She recommended staffing of 795.0 full-time equivalent positions.

She concurred with the requested new positions and recommended the elimination of 25 unidentified positions, for a net increase of 20. As of the pay period ending January 20, the Department had 108 positions vacant. The Assembly provided a total of \$591.0 million from all sources. It did not concur with use of \$10.0 million from Rhode Island Capital Plan funds for the Local Roads and Infrastructure Project; however, it included a like amount from federal funds for statewide repaving

projects. It also authorized staffing of 755.0 full-time equivalent positions, 40.0 fewer than recommended. As of the end of May, there were over 115 vacancies. Under the new position limit, the Department still has 95.4 vacancies.

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 \$191.9 million or \$13.0 million more than enacted. This reflects the transfer of all fees collected by the Division of Motor Vehicles, pursuant to current law.

FY 2019 Budget	Budget Office	Department of Transportation	Difference
FY 2018 Enacted	\$ 178,958,805	\$ 178,958,805	\$ -
Current Service Adjustments	12,978,850	10,131,172	(2,847,678)
New Initiatives	-	2,347,678	2,347,678
<i>Change to FY 2018 Enacted</i>	<i>\$ 12,978,850</i>	<i>\$ 12,478,850</i>	<i>\$ (500,000)</i>
FY 2019 Current Service/ Unconstrained Request	\$ 191,937,655	\$ 191,437,655	\$ (500,000)
FY 2019 Constrained Target/Request	\$ 191,937,655	\$ 191,437,655	\$ (500,000)
<i>Change to FY 2018 Enacted</i>	<i>\$ 12,978,850</i>	<i>\$ 12,478,850</i>	<i>\$ (500,000)</i>

The request also adds \$2.3 million to fund the requested new positions. This is offset by anticipated savings from winter and vehicle maintenance. *The recommendation is \$9.3 million more than the target, which includes \$2.5 million from gas tax transferred from the Department of Administration for centralized services. The enacted budget is \$10.4 million more than the target.*

Undistributed Savings. The FY 2018 Budget includes \$25.0 million of statewide general revenue savings in the Department of Administration for later distribution. A reference point only, this equates to a reduction of approximately five percent to expenditures for salaries and benefits and a one percent reduction to contracted services and other operating costs within the executive branch, excluding certain 24-7 operations and Public Higher Education. *The Governor's revised budget includes a series of recommended revenues and reductions that amount to the \$25.0 million. For the Department of Transportation, the budget identifies \$0.5 million to fund several positions in the Division of Statewide Planning for staff time associated with the development of the Transportation Improvement Program. Previously, the costs were paid with general revenues. The Assembly concurred and assumed savings of \$1.0 million from all sources based on half of the total savings available from the voluntary retirement incentive program.*

Transportation Funding Reform

Transportation funding on the state and national level 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 2019 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 next table illustrates, the per penny gasoline tax yield and the total funding available to the Department had steadily declined over the period. Even with the transfer of one additional penny in FY 2010, available funding through FY 2013 had decreased \$10.3 million, or approximately 10 percent. 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
2017	\$ 4,417,413	19.25	\$ 85,035,200

*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.

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 would be transferred incrementally, beginning with 25.0 percent in FY 2016, 75.0 percent in FY 2017 and all in FY 2018. The 2017 Assembly amended the distribution of the Highway Maintenance Account to require transfers of 50.0 percent for FY 2017 and 80.0 percent for FY 2018. All funds collected in FY 2019 and after will be transferred to the account. The Assembly also amended the disposition of the Highway Maintenance Account to provide the Rhode Island Public Transit Authority with an additional \$5.0 million in each FY 2018 and FY 2019. This is in addition to the current share of 5.0 percent that the Authority receives under current law.

The 2014 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 transferred 3.5 cents of gasoline tax to the Turnpike and Bridge Authority to be used in lieu of tolls that would have been used for operations and maintenance of the Sakonnet River Bridge. The Authority will also maintain ownership of the four bridges it currently operates. The legislation also 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 \$10.0 million increments until FY 2018.

Fiscal Year	Outstanding Debt Service	Build America			Debt Service
		Bonds Reimbursement	Restructuring Savings		
2015	\$ 54,580,237	\$ (1,870,830)	\$ (6,630,740)	\$	46,078,667
2016	\$ 50,237,900	\$ (1,870,830)	\$ 393,114	\$	48,760,184
2017	\$ 49,933,531	\$ (1,870,830)	\$ 254,612	\$	48,317,313
2018	\$ 41,392,238	\$ (1,870,830)	\$ 227,605	\$	39,749,013
2019	\$ 40,396,506	\$ (1,870,830)	\$ 183,245	\$	38,708,921
2020	\$ 36,445,414	\$ (1,870,830)	\$ (12,936)	\$	34,561,648
2021	\$ 43,706,060	\$ (1,870,830)	\$ (114,505)	\$	41,720,725
2022	\$ 39,758,229	\$ (1,870,830)	\$ (136,997)	\$	37,750,402
2023	\$ 38,969,053	\$ (1,870,830)	\$ (135,396)	\$	36,962,827
2024	\$ 34,172,285	\$ (1,870,830)	\$ 82,795	\$	32,384,250
2025	\$ 31,042,260	\$ (1,870,830)	\$ (332,024)	\$	28,839,406
2026	\$ 30,881,740	\$ (1,870,830)	\$ (857,883)	\$	28,153,027
2027	\$ 27,331,961	\$ (958,514)	\$ (1,422,286)	\$	24,951,161
2028	\$ 25,529,306	\$ (730,480)	\$ (1,960,404)	\$	22,838,422
2029	\$ 18,763,869	\$ (494,898)	\$ (1,860,590)	\$	16,408,381
2030	\$ 18,515,394	\$ (251,496)	\$ (1,860,132)	\$	16,403,766
2031	\$ 8,726,730	\$ -	\$ (1,860,270)	\$	6,866,460
2032	\$ 8,724,622	\$ -	\$ (1,860,268)	\$	6,864,354
2033	\$ 1,604,852	\$ -	\$ 1,450,998	\$	3,055,850
2034	\$ 481,456	\$ -	\$ 1,090,761	\$	1,572,217

The 2014 Assembly shifted debt service expenditures from general revenues to funds available in the Highway Maintenance Account. This was part of the plan to align spending on transportation related costs with revenue raised from transportation sources. The remaining debt service from the Department's general obligation bonds are shown in the previous table.

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 and her plan to ensure the number of structurally deficient bridges is 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 ten-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 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 2019.

Source	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
Federal Highway Admin. Funds	\$ 221,355,032	\$ 216,199,508	\$ 194,096,097	\$ 201,621,097
Other Federal Funds	64,035,030	67,212,620	97,919,063	97,919,063
Gasoline Tax*	104,525,423	102,457,334	104,255,810	105,318,730
Unallocated Bond Proceeds	[3,000,000]	[9,394,193]	-	-
Toll Revenue	-	4,000,000	41,000,000	41,000,000
Land Sale Revenue	1,173,125	1,131,128	1,147,815	1,147,815
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Rhode Island Capital Plan Funds	43,724,952	50,359,476	51,822,782	41,822,782
Restricted Receipts	3,168,128	3,086,078	3,034,406	3,034,406
Motor Vehicle Fee Transfer	74,433,382	141,970,854	97,007,238	97,007,238
Utility Acces Permit Fee	-	-	500,000	500,000
Other Funds	150,000	150,000	150,000	150,000
Total	\$ 514,065,072	\$ 588,066,998	\$ 592,433,211	\$ 591,021,131

*Excludes gas tax debt service for DOT, RIPTA & costs for centralized services & consolidated initiatives 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 FY 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 ten-year plan for FFY 2016 through FFY 2025, which has since been adopted. Annually the Department will propose changes to the plan to make sure that projects are “appropriately coordinated, that communities and constituents can have annual inputs.” Solicitation for inputs were due August 11, 2017 for the FFY 2018 through FFY 2027 period. Federal law requires that a statewide transportation improvement plan cover a period of no less than four years. The Department noted that two states have moved to establish ten-year plans: New Jersey and North Carolina.

The following table illustrates the proportion of funding allotted to each program area in the FY 2019 budget. It excludes salary and benefit costs.

Program Area	FY 2019 Enacted	Share of Total
Administrative Program	\$ 5,494,170	3.3%
Bike/Pedestrian Program	5,025,895	3.0%
Bridge Program	23,131,607	13.8%
CMAQ Program	5,007,879	3.0%
Highway Program	14,145,903	8.5%
Interstate Program	9,192,639	5.5%
GARVEE Projects	25,222,497	15.1%
Federal Highway Earmark Projects	16,723,220	10.0%
Pavement Management Program	15,706,057	9.4%
Traffic Safety Program	17,762,006	10.6%
Transit	25,084,830	15.0%
Other Programs	4,735,497	2.8%
Total	\$ 167,232,200	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 a commuter rail in the southern part of the state. The request includes \$53.7 million from these funds, which is \$10.4 million less than enacted largely due to the inadvertent

omission of \$10.3 million of salary and benefit costs. *The Governor recommended \$97.9 million, \$44.2 million more than requested. This corrects the understated request and includes \$34.0 million more for debt, reflecting a shift from capital expenditures. In 2016, the Department refinanced its debt and savings of \$129 million were used from FY 2016 through FY 2018 for capital projects. The Assembly concurred.*

General Obligation Bond Proceeds. The state has utilized general obligation bonds to provide a match totaling \$40.0 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. The Assembly concurred.*

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. The budget assumes use of \$3.0 million in FY 2019. *The capital budget recommendation assumes use of the remaining \$9.4 million in FY 2018. The Assembly concurred.*

Toll Revenue. The Department refers to its ten-year capital and operating plans as RhodeWorks. It is a comprehensive initiative with one component aimed at accelerating the replacement and reconstruction of state bridges with the goal of reducing the percentage of deficient bridges.

The Assembly adopted the RhodeWorks legislation in 2016-H 7409, Substitute A, as amended, that the Governor signed into law on February 11, 2016. The legislation authorizes tolling on large commercial vehicles. Pursuant to the legislation, the total amount of tolls imposed upon the same individual large commercial truck for making a border-to-border trip through Interstate 95 Connecticut to Interstate 95 Massachusetts is not to exceed \$20. The daily maximum amount collected upon the same individual large commercial truck shall not exceed \$40. Tolls will be collected along six major highway corridors at 14 locations. The Department has contracted with Kapsch TrafficCom to design, build, operate, and maintain the electronic tolling system for ten years. The revised request assumes revenue of \$4.0 million based on two gantries being operational in late 2017. The FY 2019 request assumes revenues of \$41.0 million based on all 14 gantries being operational; these are \$3.8 million less than the amount assumed in the capital budget request. *The Governor concurred. The recommendation assumes revenues as requested; however, collection of toll revenue is anticipated to start March 1, two to three months from the assumptions used in the revised request. The Assembly concurred.*

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 2019 request includes \$1.1 million from this source, \$37,203 less than enacted. *The Governor concurred.* **The Assembly concurred.**

Interstate 195 Land Sales. Consistent with the enacted budget, the Department included receipts of \$1.5 million in FY 2019 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, via the I-195 Commission, is able 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 concurred.* **The Assembly concurred.**

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 requested \$51.6 million from this source in its FY 2019 request, \$7.9 million more than enacted. This appears to be overstated by \$11.1 million. *The Governor recommended \$51.8 million, which is \$0.2 million more than requested. This corrects overstated expenditures in the request and adds \$10.0 million for a new local roads and infrastructure project.* **The Assembly concurred, with the exception of funding the local roads and infrastructure project.**

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 \$3.0 million to the Department, which is \$0.1 million less than enacted, based on projected work for FY 2019. *The Governor concurred.* **The Assembly concurred.**

Motor Vehicle Fee Transfers. The request includes \$91.1 million of transportation related fees and surcharges collected by the Division of Motor Vehicles and transferred to the Department. This reflects the transfer of all fees collected by the Division of Motor Vehicles, pursuant to current law. The amount assumed in the request appears to be understated by at least \$5 million based on past collections.

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 \$10.00 increments to a total of \$30.00, the annual registration surcharge increased in \$5.00 increments to a total of \$15.00, and the license surcharge increased in \$10.00 increments to a total of \$30.00 beginning in FY 2014 and ending in FY 2016. The following table summarizes the incremental fee increases.

Fiscal Year	Biennial Registration Fee	Annual Registration Fee	License Fee
2013	\$ 60.00	\$ 30.00	\$ 30.00
2014	\$ 70.00	\$ 35.00	\$ 40.00
2015	\$ 80.00	\$ 40.00	\$ 50.00
2016	\$ 90.00	\$ 45.00	\$ 60.00

These fees 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 surcharge through FY 2017 and the estimates for FY 2018 and FY 2019.

Fiscal Year	Biennial		Annual		Total
	Registrations		Registrations	Licenses	
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	\$ 10,653,395	\$ 3,940,297	\$ 4,773,270	\$ 19,366,962	
2018	\$ 10,769,527	\$ 3,983,250	\$ 4,603,151	\$ 19,355,928	
2019	\$ 10,769,527	\$ 3,983,250	\$ 4,603,151	\$ 19,355,928	

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. As the table above shows, revenues reported for FY 2017 were \$19.4 million. The FY 2018 revised and the FY 2019 budget requests assume the enacted amount of \$16.8 million; these amounts appear to be understated. The following table shows the sources and the total including surcharges explained previously.

Source	FY 2018		FY 2019	
	Enacted	Final	Recommended	Enacted
Inspection Sticker Increase	\$ 12,146,624	\$ 11,551,493	\$ 11,605,178	\$ 11,605,178
Title Fees	8,356,766	10,543,785	10,742,547	10,742,547
Rental Car Surcharge	3,027,321	3,162,240	3,266,302	3,266,302
Good Driving Surcharge	400,000	492,101	492,101	492,101
License and Registration Transfer	40,449,639	30,900,000	51,545,182	51,545,182
Subtotal	\$ 64,380,350	\$ 56,649,619	\$ 77,651,310	\$ 77,651,310
Surcharges	16,826,371	19,355,928	19,355,928	19,355,928
Total	\$ 81,206,721	\$ 76,005,547	\$ 97,007,238	\$ 97,007,238

Does not include carry-forward funds

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 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. The inspection fee, the good driver dismissal surcharge and car rental surcharges were transferred as of FY 2015, and the remaining revenues were to be 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 2017 Assembly amended the distribution of the Highway Maintenance Account to require transfers of 50.0 percent for FY 2017 and 80.0 percent for FY 2018. All funds collected in FY 2019 and after would be transferred to the account.

The new funds were established in the Highway Maintenance Account, which is within the Intermodal Surface Transportation Fund, and account for \$91.1 million in FY 2019. This includes \$40.8 million from the fee surcharge increase and a transfer of \$50.3 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.

The Real ID Act, passed in 2005 by Congress, created national standards for the issuance of state driver's licenses and identification cards. In March 2007, the U.S Department of Homeland Security published a Notice of Proposed Rulemaking detailing the minimum standards for driver's licenses and identification

cards acceptable by federal agencies for official purposes. The state had a waiver approved by the Department of Homeland Security for federal agencies to accept state identification credentials for an extended period. The current federal deadline for compliance is October 2020. At this time, citizens will not be permitted access to secure federal sites including travel through airports or access to certain federal buildings without Real ID compliant credentials.

*The Governor proposed Article 8 of 2018-H 7200 to reduce the transfer of transportation related fees collected by the Division of Motor Vehicles to the Highway Maintenance Account from 80.0 percent to 60.0 percent for FY 2018. She also proposed to permanently retain duplicate license fees as general revenues. The legislation also retains the current law provision that all remaining funds collected in FY 2019 and after would be transferred to the account. The recommendation includes \$97.0 million from these receipts for the fund. **The Assembly concurred.***

Utilities Access Permit Fee. The Governor recommended that the Department of Transportation institute a fee on permits requested by utility companies requesting access to Department of Transportation rights-of-way. This would be accomplished through rules and regulations. The Department does not currently charge this fee. *The recommendation assumes receipts of \$500,000, which would be deposited into the Intermodal Surface Transportation Fund. **The Assembly concurred.***

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 concurred. **The Assembly concurred.***

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 is related to changes in the Consumer Price Index, commonly referred to as inflation. This increased the gasoline tax by one cent, for a total of 34 cents. The distribution of the gasoline tax is illustrated in the following table.

Entity	FY 2018	FY 2018	FY 2019	FY 2019
	Enacted	Final	Recommended	Enacted
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.

As of 02/08/2018	Tax - Cents per gallon	
	Gas	Diesel
Rhode Island¹	34.0	34.0
Connecticut	39.3	41.7
Maine	30.0	31.2
Massachusetts ²	26.5	26.5
New Hampshire	23.8	23.8
Vermont	30.7	32.0
New England Average	30.7	31.5
U.S. Average	33.6	35.4

Source: American Petroleum Institute includes state surcharges

¹ Increased 1 cpg on 7/1/15

² Increased 3 cpg 7/1/13, indexed to inflation; 11/14 referendum repealed index

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 2019 budget.

Non Federal Sources	FY 2018 Enacted	FY 2018 Final	FY 2019 Recommended	FY 2019 Enacted
<i>Gas Tax Yield per Cent</i>	4.545	4.500	4.441	4.474
<i>RIDOT Cents</i>	19.25	19.25	19.25	19.25
<i>RIPTA Cents</i>	9.75	9.75	9.75	9.75
<i>Turnpike and Bridge Authority Cents</i>	3.50	3.50	3.50	3.50
Transportation Revenues				
Balance Forward	\$ 1,720,611	\$ 63,837,954	\$ 1,944,444	\$ 2,309,763
Gas Tax	147,728,100	146,242,330	144,322,816	145,419,788
Motor Vehicles Fees, Surcharges & Transfer	81,206,721	76,005,547	97,007,238	97,007,238
Toll Revenue	-	4,000,000	41,000,000	41,000,000
Surplus Property & Outdoor Advertising	150,000	150,000	150,000	150,000
Restricted Receipts	3,168,129	3,086,078	3,034,406	3,034,406
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Land Sales	1,000,000	2,631,128	2,647,815	2,647,815
Public Utilities Permit Fee	-	-	500,000	500,000
Rhode Island Capital Plan Funds	43,724,952	50,359,476	51,822,782	41,822,782
Total Revenues	\$ 280,198,513	\$ 347,812,513	\$ 343,929,501	\$ 335,391,792
Transportation Expenses				
Pay-GO Capital	\$ 73,942,798	\$ 115,255,563	\$ 113,616,197	\$ 113,616,197
Winter Maintenance	19,582,741	17,868,407	19,355,426	19,937,665
Vehicles & Maintenance	12,659,908	23,198,783	12,101,177	12,101,177
General Maintenance	15,368,415	40,547,860	38,246,844	38,246,844
Other Operations	14,201,593	16,081,858	16,747,246	16,713,193
GARVEE Bond Debt Service	9,090,960	8,999,528	8,881,404	8,948,910
G.O. Debt Service*	39,356,516	39,356,516	38,280,060	38,280,060
State Match - Gas Tax	392,740	959,595	976,436	976,436
Internal Service Funds Transparency*	3,846,161	1,491,364	1,786,946	1,786,946
Restricted Receipts	3,168,128	3,086,078	3,034,406	3,034,406
Interstate 195 Land Sales	1,500,000	1,500,000	1,500,000	1,500,000
Land Sales	1,173,125	1,131,128	1,147,815	1,147,815
Surplus Property & Outdoor Advertising	150,000	150,000	150,000	150,000
Equipment Replacement	2,500,000	2,656,324	1,500,000	1,500,000
Local Roads and Infrastructure	-	-	10,000,000	-
Facilities	5,373,606	4,797,595	4,471,436	4,471,436
RIPTA - Gas Tax	44,318,430	43,872,699	43,296,845	43,625,937
RIPTA - Highway Account - 5 Percent**	9,343,386	8,800,277	9,850,362	9,850,362
Turnpike and Bridge Authority	15,909,180	15,749,175	15,542,457	15,660,593
Total Expenditures	\$ 271,877,687	\$ 345,502,750	\$ 340,485,057	\$ 331,547,977
Surplus/Deficit	\$ 8,320,826	\$ 2,309,763	\$ 3,444,444	\$ 3,843,815

*Shown in the Department of Administration's budget

**In addition to the 5.0%, will receive an additional \$5.0 million in each FY 2018 and FY 2019

The request assumes a per penny yield of \$4.404 million, which is \$141,676 less than enacted and the revised request. *The recommended budget uses a per penny yield of \$4.441 million, \$104,778 less than enacted; however, it is \$36,898 more than the request.*

The enacted budget assumes a per penny yield of \$4.474 million, or \$33,753 more than recommended reflective of updated estimates from the Office of Revenue Analysis.

Centralized Services. The 2017 Assembly authorized the establishment of internal service funds for centralized services including information technology, capital asset management and maintenance, and human resources to maximize available non-general revenue sources. Prior to this change, the costs for the staff and other expenses related to these services were budgeted in the Department of Administration. The state uses internal service funds to reimburse one agency for services provided to another. Agencies receiving these services are charged for the costs which in turn pay for the staff and expenses.

The Governor's budget adds \$3.8 million from federal and gasoline tax for the Department's share of centralized services. This includes \$0.8 million for human resources and \$3.1 million for information technology services.

*The recommendation funds centralized facility charges for the Department of Transportation's facilities with general revenues in the Department of Administration's budget. This contradicts the intent of the 2017 Assembly's authorization of the establishment of internal service funds for centralized services to be billed to user agencies to maximize available non-general revenue sources. **The Assembly directed these expenditures be paid with resources within the Department of Transportation's budget and included \$0.5 million in expenditures from gasoline tax, based on square footage of the facilities.***

Highway and Bridge Maintenance (32.0 New FTE). The request includes \$1.8 million from gas tax proceeds to fund 32.0 new positions for highway and bridge maintenance, which the Department anticipates filling in September 2018. The annualized value of the positions is \$2.2 million.

As of the pay period ending November 25, 2017, the Department had 98 positions vacant. It indicated that it plans to fill all maintenance vacancies by the end of this year. This plan appears to be very aggressive. Of 43.0 current vacancies in the Division of Maintenance, the Department has received approval from the Department of Administration to fill 12. *The Governor concurred. **The Assembly included funding as recommended; however, it assumed that the Department will fill the positions within its current staffing level.***

Project Managers (5.0 New FTE). The Department requested \$0.5 million from federal funds and gas tax proceeds to fund five project manager positions who will be responsible for the oversight and delivery of assigned projects from initiation to closeout. The 2015 Assembly enacted legislation requiring that the Department 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. It should be noted that the 2017 Assembly concurred with the Department's request to provide authorization for 28.0 new project manager positions. At the time of the budget submission, the Department had eight project manager positions vacant. *The Governor concurred. **The Assembly included funding as recommended; however, it assumed that the Department will fill the positions within its current staffing level.***

Finance Division (3.0 New FTE). The request includes \$0.2 million from gas tax proceeds to fund three new positions in the Finance Division, which is responsible for oversight and administration of the Department's operating and highway expenditures. The positions include an executive assistant, an implementation aide and a senior accountant. The Department anticipates filling the positions in September 2018. Based on current vacancies, additional authorization to fill these positions are not needed. *The*

Governor concurred. **The Assembly included funding as recommended; however, it assumed that the Department will fill the positions within its current staffing level.**

Stormwater and Transit Unit (5.0 New FTE). The Department requested \$0.4 million from federal funds and gas tax proceeds to fund five new positions, including a legal counsel, a supervising environmental scientist and a senior civil engineer for the Stormwater Division, and a supervising planner and a clerk secretary for the Transit Unit. The Department indicated that additional staff is requested in these areas based on workload, including the Mass Transit Hub project, and the current consent decree with the U.S. Department of Justice, which requires the Department to maintain storm drains. *The Governor concurred.* **The Assembly included funding as recommended; however, it assumed that the Department will fill the positions within its current staffing level.**

Other Salaries and Benefits. The Department requested \$77.1 million from all sources to fund the authorized level of 775.0 full-time equivalent positions. This is \$9.8 million less than enacted; the Department inadvertently omitted salary and benefit expenditures of \$10.3 million from federal funds. Adjusting for that, the request is \$0.5 million more than enacted or \$142,882 more than the current service estimate. *The Governor recommended \$0.9 million more than enacted. This is \$10.7 million more than requested, restoring the omitted federal funds and including \$0.4 million for benefit adjustments. She also included \$0.1 million to partially fund a position in the Office of the Governor.*

The Assembly did not concur with the allocated personnel expenditures for the Governor's Office. It included \$2.0 million in turnover savings from federal funds, based on current vacancies and eliminated 20 vacancies.

Highway Improvement Projects. The Department requested \$190.0 million from federal funds matched by \$56.8 million from motor vehicle surcharges and Rhode Island Capital Plan funds and \$41.0 million from toll revenue for highway improvement projects in FY 2019. This is \$53.2 million more than enacted, primarily from toll revenues. The requested amount of \$44.0 million from Rhode Island Capital Plan funds is \$11.5 million more than the approved plan.

The recommendation is \$40.8 million less than requested, including \$8.1 million less from Rhode Island Capital Plan funds. Expenditures from federal funds are \$32.7 million less, reflecting a shift of expenditures from capital to debt service, based on the 2016 proposal to refinance debt. **Based on spending projections, the Assembly reduced salary and benefit expenditures in both FY 2018 and FY 2019 by \$10.0 million, and repurposed these savings for statewide repaving projects.**

Debt Service. The 2016 Assembly adopted legislation allowing the Department to refinance projects that were previously financed through GARVEE bonds; \$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 FY 2016 through FY 2018.

The request includes \$32.4 million for debt service, including the enacted amount of \$23.6 million from federal funds and \$8.8 million from the dedicated two cents for Motor Fuel Tax Revenue Bonds. This is \$0.3 million less than enacted based on a lower per penny yield from the gasoline tax.

The Governor recommended \$34.0 million more than requested, including \$34.0 million based on an updated debt service payment and \$73,796 to reflect the adjustment to the gas tax yield. **The Assembly concurred and included an additional \$67,506 to reflect an upward revision of the gasoline tax yield estimate.**

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. The 2017 Assembly amended the disposition of the Highway Maintenance Account to provide the Authority with an additional \$5.0 million in each FY 2018 and FY 2019. This is projected to provide \$9.6 million to the Authority for operating expenditures.

The Assembly also adopted legislation in Article 4 of 2017-H 5175, Substitute A, as amended, requiring that the Authority convene a coordinating council to develop recommendations for sustainable funding of the free-fare program for low income seniors and persons with disabilities to maximize the use of federal funds. Recommendations must be submitted to the Speaker of the House and Senate President no later than November 1, 2018.

The Authority is estimated to receive a total of \$52.5 million for FY 2019, \$1.2 million less than enacted reflecting \$0.2 million from a greater share of funds from the Highway Maintenance Account and \$1.4 million less from gasoline tax proceeds based on a per penny yield of \$4.4 million.

The Authority submitted its FY 2018 revised and FY 2019 budgets. It projected a surplus of \$0.8 million in the current year and a deficit of \$0.5 million in FY 2019. *The Governor recommended \$0.5 million less than enacted, \$0.7 million more than requested including \$0.4 million more based on an upward revision to the gasoline tax yield, and \$0.3 million from highway maintenance funds.* **The Assembly concurred and included an additional \$0.3 million to reflect an upward revision of the gasoline tax yield estimate.**

Turnpike and Bridge Authority. The request includes \$15.4 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 \$0.5 million less than enacted 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. *The Governor recommended \$0.1 million more than requested based on an upward revision to the gasoline tax yield.* **The Assembly concurred and included an additional \$0.1 million to reflect an upward revision of the gasoline tax yield estimate.**

Vehicle and Equipment Purchases. The request includes \$8.5 million, including the enacted amount of \$2.5 million from Rhode Island Capital Plan funds and \$6.0 million from gas tax revenues to purchase heavy trucks, sweepers, loaders, backhoes and tractors to replace the Maintenance Division's existing fleet, especially those used for winter operations. This is \$0.8 million less than enacted. The Department indicated that an analysis of the division's rolling stock has been made and that the current replacement program is not meeting its need. In order to meet future fleet needs, an upfront surge of funding is needed.

The Governor recommended \$143,296 more than requested based on the availability of gas tax funds. **The Assembly concurred.**

Current Fleet Operations. The Department requested \$4.0 million or \$0.8 million less than enacted from gasoline tax proceeds for operating costs of its current fleet. This includes \$0.3 million less in payment to the State Fleet Revolving Loan Fund for vehicles purchased between FY 2013 and FY 2016. It includes savings of \$0.5 million for fuel, insurance and routine maintenance. Reported expenditures were \$4.5 million in FY 2016 and \$3.8 million in FY 2017 and are projected to cost \$0.6 million less in the current year. This trend is expected to continue as the Department replaces more of its existing fleet. *The Governor recommended funding as requested.* **The Assembly concurred.**

Leased Space for Vehicles/Equipment. In March 2017, the Department entered into a six-month lease with four six-month options for leased space to house vehicles and equipment that the Department has and will acquire. The monthly cost is \$38,333 and consistent with the revised request; the request includes \$0.5 million for the payment and indicated that this is on a temporary basis as it is not cost effective to keep the lease. The Department submitted a capital budget requesting \$20.0 million from Rhode Island Capital Plan funds to build a new maintenance facility behind its current maintenance headquarters in Warwick to house the equipment as well as to provide workspace for new maintenance staff. *The Governor recommended funding as requested.* **The Assembly concurred.**

Winter Maintenance Operations. Excluding salaries and benefits, the Department requested \$16.1 million from gasoline tax proceeds for operating expenses related to the winter maintenance program for FY 2019. Funding is used to pay for vendor contracts, as well as to purchase salt, sand and liquid deicers. The request is \$1.2 million less than enacted and \$0.4 million less than the revised request, based on additional positions being filled. The average annual cost for winter maintenance operations from FY 2013 through FY 2017 is \$15.8 million. The current request is \$0.3 million above that. *The Governor recommended \$0.5 million more than requested.* **The Assembly concurred and provided an additional \$0.6 million to reflect an upward revision of the gasoline tax yield estimate.**

Highway Lighting. The Department requested \$5.0 million from gas tax or \$1.1 million more than enacted for electricity costs associated with lighting masts and traffic signals along state owned highways and roads. The Department has converted 7,200 or 76.5 percent of its streetlight fixtures to high-efficiency fixtures and indicated the remaining 2,200 streetlights should be replaced by the end of this fiscal year. According to the Office of Energy Resources, once full implementation occurs, the Department should realize annual savings of \$1.0 million.

Subsequently, the Department indicated that it overestimated expenditures. The request is \$0.2 million less than the revised request; however, it is \$1.5 million more than FY 2017 reported expenditures. The expenditures were \$3.9 million in FY 2016 and \$4.1 million in FY 2015. *The Governor recommended funding as enacted.* **The Assembly concurred.**

Utility Access Permit Operations. The Department does not currently charge utility companies a fee for accessing its rights-of-way. The Department could, through rules and regulations, institute a fee on permits requested by utility companies requesting access. It appears that Massachusetts and Vermont charge a fee of \$500 for utility right-of-way access. *The Governor recommended expenditures of \$0.5 million for administrative costs associated with the issuing of permits.* **The Assembly concurred.**

Other Maintenance Operations. The Department requested \$22.3 million from all sources of funds for all other maintenance operations. These include activities such as trash and debris removal, landscaping, sand removal, and graffiti removal. Effective FY 2019, all transportation related receipts will be deposited into the Highway Maintenance Account. The request is \$13.3 million more than enacted reflecting the increased resources. This includes \$12.6 million more for resurfacing, bridge work and road repair projects. It also includes \$300,000 for maintenance costs associated with the Department's facilities and \$250,000 for janitorial services based on obtaining services for two additional sites: Wickford Junction station and the Welcome Center in Hopkinton. *The Governor recommended \$4.3 million more than requested, reflective of anticipated revenues in the highway maintenance fund.* **The Assembly concurred.**

Congestion Mitigation and Air Quality Grant. Consistent with the revised request, the Department requested \$0.8 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 recommended funding as requested.* **The Assembly concurred.**

Local Roads and Infrastructure. The Department’s capital budget request includes a total project cost of \$120.0 million from Rhode Island Capital Plan funds, which assumes use of \$20.0 million annually for a statewide pavement program. Work would include pavement resurfacing, crack sealing, and micro surfacing. This funding is in addition to paving projects that the Department has included in its ten-year plan, for which the RhodeWorks legislation adopted by the 2016 Assembly provided sufficient funds. The Department noted that during the Transportation Improvement Plan public process, local cities and towns requested an additional \$145.0 million worth of pavement projects. The Department included funding for this project in its last two capital requests; however, neither the Governor nor the Assembly provided funding.

*The Governor recommended one-time funding of \$10.0 million in FY 2019 to fund pavement repair and other transportation asset protection projects. It appears that funding for this would be used for municipally owned infrastructure and state paving projects. **The Assembly did not concur and adjusted funding accordingly. Based on spending projections, the Assembly reduced salary and benefit expenditures in both FY 2018 and FY 2019 by \$10.0 million, and repurposed these savings for statewide repaving projects.***

Capital – Commuter Rail. The Department requested \$7.3 million or \$1.1 million less from federal transit funds for the Commuter Rail project, which will extend commuter rail service along AMTRAK’s northeast corridor south of Providence. The request is based on anticipated costs for the Pawtucket/Central Falls Train Station and also costs to complete improvements to the Providence Station. *The Governor recommended funding as requested. **The Assembly concurred.***

Capital – Other Projects. Consistent with the approved plan, the Department requested \$5.1 million or \$0.3 million less than enacted from Rhode Island Capital Plan funds for six ongoing projects. *The Governor further reduced the request by \$0.6 million. **The Assembly concurred. A more detailed description of the projects is available in the Capital Budget section of this publication.***

Other Expenses. The Department requested \$2.1 million from gas tax proceeds for all other expenses. This is \$0.2 million more than enacted, including \$106,800 for information technology services for the project management system, which is used by project managers to track project information. It includes \$50,000 for legal services. Based on reported expenditures for FY 2017, the request includes an additional \$63,000 for cell phones, which the Department attributed to the number of positions it plans to fill. *The Governor recommended funding as requested. **The Assembly concurred.***