



**SENATE FISCAL OFFICE
REPORT**

**GOVERNOR'S BUDGET
FY2015 AND FY2014 SUPPLEMENTAL**

2014-H-7133

BUDGET ANALYSIS

MARCH 6, 2014

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2015 Budget recommendation totals \$8,544.0 million from all fund sources, of which \$3,456.1 million is from general revenues.

Expenditures by Fund	FY2013 Final	FY2014 Enacted	FY2014 Governor	Change from Enacted	% Change	FY2015 Governor	Change from Enacted	% Change
General Revenue	\$3,216.0	\$3,359.8	\$3,351.7	(\$8.0)	-0.2%	\$3,456.1	\$96.3	2.9%
Federal Funds	2,519.8	2,717.7	2,822.8	105.1	3.9%	2,878.4	160.7	5.9%
Restricted Receipts	198.4	255.0	279.4	24.4	9.6%	258.9	3.9	1.5%
Other Funds	1,775.0	1,880.6	1,925.5	44.9	2.4%	1,950.6	70.0	3.7%
Total	\$7,709.3	\$8,213.1	\$8,379.4	\$166.4	2.0%	\$8,544.0	\$330.9	4.0%

Expenditures by Function

General Government	\$1,496.4	\$1,487.5	\$1,603.3	\$115.8	7.8%	\$1,509.5	\$22.0	1.5%
Human Services	3,047.5	3,305.8	3,323.2	17.4	0.5%	3,527.3	221.5	6.7%
Education	2,211.4	2,317.9	2,323.7	5.8	0.2%	2,356.5	38.6	1.7%
Public Safety	473.8	520.7	538.8	18.1	3.5%	531.4	10.7	2.1%
Natural Resources	72.2	120.9	112.3	(8.6)	-7.1%	100.1	(20.8)	-17.2%
Transportation	408.0	460.2	478.2	17.9	3.9%	519.2	59.0	12.8%
Total	\$7,709.3	\$8,213.1	\$8,379.4	\$166.4	2.0%	\$8,544.0	\$330.9	4.0%

FTE Authorization	15,076.4	15,118.3	15,100.3	(18.0)	-0.1%	15,097.0	(21.3)	-0.1%
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\$ millions.

The Governor's FY2015 Budget closes the anticipated \$150.0 million current services operating deficit through a combination of revenue increases and expenditure reductions. The proposed budget relies upon the rollover of the FY2014 closing surplus, increased revenues from the November 2013 Revenue Estimating Conference, and reductions to the Medicaid program to close this deficit while increasing spending for initiatives in higher education, workforce development and for the development of the creative economy. It includes \$275.0 million in general obligation bond requests and \$88.0 million in COPs.

FIVE-YEAR FORECAST

The Governor's FY2015 Budget estimates that the State will experience increasing deficits in each of the out years in its five-year forecast, deficits that increase from \$151.1 million in FY2016 to \$419.3 million in FY2019. Major drivers of this increase include the establishment of gaming facilities in Massachusetts, which will negatively impact the State's general revenue receipts by more than \$140.0 million per year by FY2019. Continued implementation of the new education aid funding formula is expected to increase local aid in FY2019 by \$188.0 million above FY2015 levels. Finally, the forecast includes \$58.0 million in additional general revenue beginning in FY2017 to replace declining federal financing for the expansion of Medicaid under the Affordable Care Act.

FY2015 Deficit Solution

Projected Deficit (July)	(\$149.3)
Nov REC/CEC	24.0
FY2014 Closing Surplus	68.9
Rainy Day Fund Transfer	(2.8)
Projected Deficit (January)	(\$59.2)
Budget Initiatives	
Revenue Proposals	14.8
Expenditure Proposals	44.8
Projected Ending Balance	\$0.4

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

Revenue Changes

The Governor's FY2015 Budget proposal increases general revenue collections by an estimated \$156.1 million (4.7 percent) above the November 2013 revenue estimate, including the annually-enacted hospital license fee. The Governor includes \$141.3 million for the fee. In addition, he recommends several new enforcement activities and expansions to existing revenue sources that total \$14.8 million.

Enforcement and Expansion Changes

Additional Revenue Officers: The Governor increases revenue collections by \$8.4 million due to the addition of 10.0 new revenue officers. Each position is estimated to generate approximately \$900,000 per year in additional collections.

Safe Harbor for Use Tax: The Governor adds a "safe harbor" provision to the Use Tax, which is assessed on personal property purchased from vendors that do not collect and remit sales tax to Rhode Island. The Governor increases general revenues by \$2.2 million based on voluntary compliance from this proposal.

Employee Misclassification Tax Force:

The Governor establishes the Statewide Task Force to Combat Employee Misclassification to increase revenues by \$1.8 million.

Block on "New" Vehicle Registrations: The Governor requires the Tax Administrator to provide the DMV with information for taxpayers who neglect or refuse to file a tax return, or pay taxes owed. Upon payment, the Division of Taxation will issue a certificate of good standing and, the DMV will issue the registration. Personal income tax revenue is expected to increase by \$488,000 from this proposal.

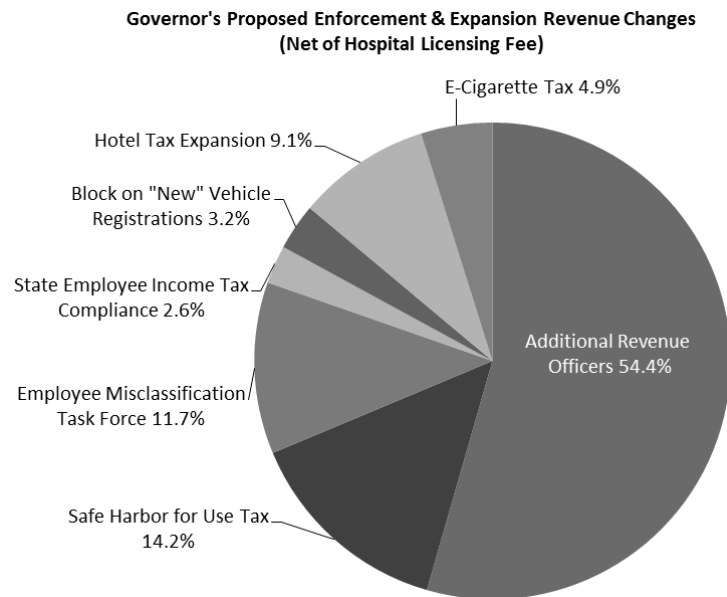
State Employee Income Tax Compliance: The Governor establishes the State Employee Compliance Project to require State employees to be in compliance with RI personal income tax laws. Assuming 850 non-compliant employees, the Governor increases general revenues by \$400,000.

Hotel Tax on Hotel Resellers, Bed & Breakfasts, and Timeshares: The Governor expands the definition of hotels subject to the State's lodging tax. Collections are estimated to increase by \$1.4 million.

Tax on E-Cigarettes: The Governor expands the definition of "other tobacco products" for the purpose of cigarette taxation to include e-cigarettes. Currently, e-cigarettes are only subject to the sales and use tax. This proposal is estimated to generate an additional \$750,000 in cigarette taxes.

Other Revenue Changes

Anti-Zapper Legislation: The Governor prohibits the sale or use of automated sales suppression software known as "zappers", which are used to understate sales data for tax reporting purposes. Any use, sale or possession of this software is considered a felony and the violator may be charged a fine up to \$50,000. The Governor increases general revenues by \$770,000.



Reduced Medicaid Premiums: The Governor decreases insurance premium tax revenue by \$1.0 million due to savings initiatives that lower Medicaid managed care premiums. Since these premiums are subject to the premium tax, the Budget recognizes a commensurate reduction in premium tax revenue.

Nursing Home Rate Freeze: The Governor decreases revenues from the nursing facility provider assessment by \$439,368 due to a savings initiative that freezes nursing home rates at their current level. Since the assessment is levied upon nursing home receipts, lower than anticipated receipts will result in a reduction in assessment revenue.

Historic Structures Tax Credits: The Governor increases the amount of available credits in the Historic Structures Tax Credit program by \$52.1 million using available reserve funds, increasing the total project fund to \$352.0 million.

Table Game Income: The Governor amends statutes pertaining to the transfer and reporting of funds within the Division of Lottery, and modifies distribution of Net Table Game Revenue (NTGR) should Video Lottery Terminal (VLT) Net Terminal Income (NTI) decrease over a 12-month period after the commencement of casino gaming in Massachusetts.

Marketplace Fairness Act: The Governor modifies several tax statutes predicated on the future passage of the federal Marketplace Fairness Act (MFA) which would require remote sellers to collect and remit sales tax to the State. Under the Governor's proposal, the corporate tax rate would be reduced from 9.0 percent to 6.0 percent. He also expands the current sales and use tax exemption on manufactures' electricity and gas purchases to include all businesses.

Expenditure Changes

Unless otherwise specified, dollar amounts refer to general revenue.

Statewide and Interagency Expenditure Changes

Statewide: The Governor achieves \$3.7 million in medical savings, reflecting a new state employee healthcare contract with United Healthcare as of January 1, 2014. The revised contract accounts for current healthcare trends and reduced administrative costs. The Governor does not include any amounts for potential state employee collective bargaining agreements, as negotiations are ongoing

UHIP: The Governor provides \$10.1 million (\$39.1 million all funds) within OHHS and DHS for the Unified Health Infrastructure Project, an increase of \$6.3 million (\$16.7 million all funds) over the FY2014 Budget as Enacted, reflecting actual contract costs and an updated project timeline. The UHIP technology build is currently estimated to cost a total of \$135.3 million, including \$13.3 million in general revenue from OHHS and \$10.2 million in general revenue from DHS.

Election and Transition Costs: The Governor includes funding within the Secretary of State (\$839,730) and the Office of the Governor (\$125,000) to assist with the 2014 General Election as well as to ease in the transition of a newly elected Governor.

Expenditure Changes by Agency

Administration: The Governor includes \$12.3 million in general revenue to fully fund the 38 Studios Capital Reserve Fund in FY2015. The required debt service on the bonds will be approximately \$12.5 million per year through FY2021.

The Governor includes several initiatives intended to spur economic development, including: \$775,000 for the Rhode Island Commerce Corporation to support the May 2015 Volvo Ocean Race sailing competition in Newport; \$75,000 for the Rhode Island Commerce Corporation to hire a Creative and Cultural Economy Coordinator; \$1.2 million to the Experimental Program to Stimulate Competitive Research (EPSCore); \$1.0 million to administer the I-195 Redevelopment District Commission; and, \$500,000 to continue the innovative technology and bioscience and engineering internship program administered by the Rhode Island Science and Technology Advisory Council.

The Governor reduces the appropriation to the Slater Centers of Excellence by 50.0 percent, or \$500,000. Since FY1997, the State has appropriated \$45.0 million to stimulate the growth of new industries by investing in the venture capital program.

Under Article 19 the Governor repeals legislation enacted during the 2013 legislative session that would have transferred the administration of the Office of Regulatory Reform from the Office of Management and Budget to the Executive Office of Commerce.

The Governor's budget includes \$23.4 million in federal funds for HealthSource RI, the State's health benefits exchange and assumes these funds will be available through FY2015, six months past their current expiration date of December 31, 2014.

Labor and Training: The Governor adds \$411,269 to account for a \$245,093 increase in personnel costs to administer the Workforce Development Initiative and an increase of \$166,176 for Workforce Development Initiative grants. The Governor also provides \$5.0 million for the interest payment on prior Unemployment Insurance borrowing.

Additionally, the Governor decreases federal funds by \$63.0 million to reflect the end of federal Stimulus-Extended Unemployment benefits and a decrease of \$31.0 million in other funds in reflecting

lower Unemployment Insurance benefit payments. The Governor also adds \$20.0 million in other funds reflecting the addition of Temporary Caregiver Insurance benefits.

General Treasurer: The Governor adds \$2.4 million in restricted receipts to replace the Anchor pension calculating computer system in the Retirement division. The total cost to establish and migrate data to the new system is estimated at \$23.0 million.

Executive Office of Health and Human Services: The November 2013 Caseload Estimating Conference (CEC) adopted total financing of \$861.3 million in general revenue for the Medical Assistance program. However, the Governor recommends a \$42.7 million reduction below the CEC adopted levels through a set of initiatives that include the following:

- Reduce the managed care capitation rate increase included in the CEC FY2015 managed care estimate. The 5.3 percent increase underlying the adopted estimate will be reduced by 2.95 percentage points (\$10.8 million).
- Freeze rates paid to hospitals for inpatient and outpatient services at their FY2013 levels for second consecutive year, (\$3.9 million).
- For a second consecutive year, suspend the annual nursing home inflation index increase that was scheduled to be made to rates in October 2014 (\$3.7 million).
- Reduce hospital stays through targeted interventions to high-utilizers among Children With Special Health Care Needs, RIte Care core, and adults with disabilities (\$8.2 million).
- Eliminate Upper Payment Limit (UPL) payment to hospitals for FY2015 that would have reimbursed them for uncompensated Medicaid outpatient care (\$5.5 million general revenue, \$11.1 million all funds); repeal permanent statutory authority for UPL.
- Cost shift to federal funds through increased FMAP for certain current home-based services to the elderly and disabled (\$3.0 million).
- Provide subsidies for existing qualified health plan coverage of pregnant and post-partum women between 133 percent and 250 percent FPL who would otherwise become eligible for Medicaid (\$600,000).
- Institute an average \$250 monthly co-pay for Katie Beckett families with income over 250 percent FPL, or about \$60,000/family of 4 (\$1.4 million).

Human Services: The Governor includes \$15.5 million in general obligation bond proceeds in FY2015 for a new Veterans' Home complex, to begin construction in FY2014 (\$5.3 million allocated in FY2014). The funding is part of a \$94.0 million voter-approved bond issue.

Additionally, the Governor reduces general revenues by \$334,549, eliminating the Costs Not Otherwise Matchable (CNOM) program for Federally Qualified Health Centers (FQHCs). This eliminates reimbursements to FQHCs to care for uninsured individuals, assuming that this population will decrease given the implementation of the Affordable Care Act.

Behavioral Healthcare, Developmental Disabilities, and Hospitals: The Governor removes funding for the Emergency Department Diversion pilot program, which had received initial funding of \$250,000 in the FY2014 Budget to address emergency room utilization for non-emergency purposes by individuals with substance abuse disorders.

The Governor achieves savings of \$1.5 million through a 5.0 percent rate reduction for case management and care coordination typically provided through community mental health centers for those with chronic mental health conditions.

Children, Youth, and Families: The Governor reduces funding for the System of Care by \$850,000 in general revenues assuming reduced administrative costs and the identification of alternative revenue sources such as private grants and donations.

The Governor identifies \$1.3 million of general revenue savings at the Rhode Island Training School (RITS) from the closure of one “pod” or operational unit housing male youth offenders and a reduction in the Lifespan physician services contract, reflecting a reduced training school resident population. The closure of this pod reduces the number of beds of the training school from 148 to 100. In FY2013, the average daily census at the RITS was 96 youth, including male and female detainees.

Additionally, the Governor achieves savings within the Department due to the transfer of costs and/or youth, this includes:

- **Transfer to BHDDH:** Shifts the cost for the residential care of some youth ages 19 to 21 to BHDDH, saving DCYF \$1.1 million. Transfers will be made on a case-by-case basis at the discretion of the DCYF director and are anticipated to be less costly to the State overall as the Governor projects the average daily cost to be less in the adult system.
- **Cost Shift to OHHS:** The Governor achieves savings of \$978,930 due to a shift in cost for the care for 6 medically fragile youth in out-of-state residential programs to OHHS. It is not anticipated that these youth will experience any change in placement or treatment received due to this cost shift.
- **Transfer Out-of-State SED Female Youth to In-State Programs:** Transfers 10 out-of-state female youth with serious emotional disturbances (SED) to in-state programs, generating nearly \$260,000 in general revenue savings, requiring DCYF to either establish a new program and/or expand upon existing programs.

Elementary and Secondary Education: The Governor’s FY2015 budget recommendation includes an additional \$35.5 million to fund the fourth year of the funding formula, for a total of \$742.2 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. This amount also includes \$1.4 million for districts that may implement full-day kindergarten programs in FY2015. The Governor also includes \$1.8 million for the Central Falls Stabilization Fund and decreases Group Home Aid by \$1.0 million to reflect a reduction in beds and an adjustment to accommodate RIGL 16-7-22(1)(ii) which requires the average daily membership of a district to be decreased by the number of group home beds used in the group home calculation.

The Governor eliminates the Textbook Reimbursement Program, saving \$240,000 in general revenue, and makes the School Breakfast Program subsidy from the State permissive instead of mandatory, saving \$270,000 in general revenue.

Additionally, the Governor level funds the E-Rate Program and the Full-Day Kindergarten Pilot Program and reduces School Housing Aid by \$2.0 million to reflect updated project timelines.

Higher Education: The Governor increases investments in higher education by proposing to freeze tuition at all three public institutions of higher education and adding \$10.0 million to support this proposal. The Governor also includes a \$125.0 million bond referendum for building and reconstruction of the University of Rhode Island’s College of Engineering.

The Governor shifts 132.3 FTEs from federal-sponsored research to non-sponsored positions at URI and CCRI, restructuring higher education personnel and replaces the Office of Higher Education with the Office of the Postsecondary Commissioner.

Rhode Island State Council on the Arts: The Governor provides \$1.0 million in new funding for RISCA for advertising placement in transportation corridors, gateways, and districts to promote the creative economy.

Additionally, the Governor proposes a general obligation bond issue to fund a Cultural Arts and the Economy Grant Program. The bond includes \$30.0 million for the preservation and renovation of Rhode Island public and nonprofit performance centers, historic sites, museums and cultural art centers to be administered by the Rhode Island Commerce Corporation in consultation with the Rhode Island State Council on the Arts through a matching grant program.

Higher Education Assistance Authority: The Governor transfers \$1.5 million from the guaranty agency reserve fund for the state scholarship program which will be used to replace a reduction in available revenues from the College Tuition Savings Program.

Historic Preservation and Heritage Commission: The Governor proposes \$5.0 million to capitalize the existing Historic Preservation and Heritage Commission's State Preservation Grants Program, a matching grant program that allows municipalities and non-profit organizations to improve historic sites, museums and cultural arts centers located in historic structures. This funding is part of the proposed \$35.0 million general obligation bond issue for the new Cultural Arts and the Economy Grant Program.

Attorney General: The Governor increases Google forfeiture restricted receipts by \$6.0 million for IT design services, computer equipment, and a building acquisition.

Corrections: The Governor increases personnel costs by \$4.1 million, including \$1.8 million for payroll base adjustments and \$2.3 million for additional overtime. Additionally, the Governor shifts approximately \$800,000 in personnel costs associated with construction projects from general revenue to RICAP funds. The Governor also adds \$500,519 for weapons requalification in response to recent arbitration that mandated yearly weapons qualification.

Public Safety: The Governor increases general revenue by \$398,883 to fill vacancies, promote current staff and begin transitioning deputy sheriffs from 35-hour work weeks to 40-hour work weeks.

Additionally, the Governor proposes that any retired State Police Officer who is currently employed by a non-state entity, and eligible to receive health insurance benefits through that employer, move off of the state health insurance coverage, achieving \$800,000 in savings.

Department of Environmental Management: The Governor funds the "Jobs for a Beautiful Rhode Island" initiative with a \$75.0 million general obligation bond authorization to be placed on the November 2014 ballot, including \$40.0 million for land acquisition, rehabilitation and array of "green" projects, \$20.0 million for clean water infrastructure, and \$15.0 million for water facilities assistance.

Transportation: Beginning in FY2013, the Department of Administration (DOA) began assuming general obligation debt service expenses of the Department of Transportation (RIDOT). These expenses had previously been paid from RIDOT motor fuel tax revenue. All RIDOT debt service will be transferred to DOA by FY2017. The shift of debt service will occur annually, reaching a peak of \$43.1 million in FY2018. Article 21 requires the Department of Transportation (RIDOT) to allocate motor fuel tax revenue made available from the shift of debt service expenses previously paid with gas tax revenue for the following initiatives:

- **Statewide Bridge Rehabilitation Program:** Includes \$80.0 million in motor fuel tax revenue and \$20.0 million from other funds, through FY2020, to help eliminate the current backlog of structurally deficient bridges.
- **Drainage Preservation Program:** Includes \$7.0 million over 5 years for the cleaning and maintenance of the State's 25,000 catch basins.
- **Vehicle Equipment Replacement Plan:** Includes \$12.4 million in motor fuel tax revenue over 5 years for the purchase of heavy equipment.

The Governor proposes a \$40.0 million bond referendum for the enhancement and renovation of mass transit infrastructure and \$250,000 in RICAP funds for a preliminary conceptual design of a new transit hub system in the State.

Additionally, the Governor transfers \$1.8 million in RIPTA debt service to the Department of Administration. The Governor makes RIPTA responsible for its own debt service payments after FY2015.

State Aid and Education Aid

State Aid to Cities and Towns

Distressed Community Relief Fund: The Distressed Community Relief Fund is maintained at the FY2014 level of \$10.4 million. The City of Cranston, however, no longer qualifies as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities.

Payment in Lieu of Taxes (PILOT): PILOT funding is maintained at the FY2014 Enacted level of \$35.1 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2014 represents a reimbursement rate of 22.04 percent. The redistribution of aid based on current law has not been completed by the Division of Municipal Finance at this time.

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

Municipal Incentive Aid: Funding for this program is maintained at the FY2014 level of \$5.0 million. The FY2014 Revised Budget removes funding from the Town of Coventry, and these funds will be distributed to the remaining communities in May, as required by law. Although the Town of Coventry submitted a Funding Improvement Plan (FIP) to the Department of Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. The Town is included for Municipal Incentive Aid funding in FY2015.

Library Grant-in-Aid: The Governor level funds State Aid to Libraries at \$8.8 million. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$855,066.

Library Construction Aid: The Governor recommends \$2.3 million in FY2015 to reimburse communities for up to 50.0 percent of eligible costs of approved library construction projects. The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ends on July 1, 2014.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$21.8 million in FY2014 and \$23.1 million in FY2015 for distribution to cities and towns.

Hotel Tax: An expansion of the hotel tax to include hotel room resellers, operators of bed and breakfast inns, and owners of timeshare properties is expected to increase aid to municipalities by \$249,319.

Airport Impact Aid: Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2015. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation.

Property Revaluation Reimbursement: The Governor includes \$633,209 to reimburse municipalities for a portion of the cost of conducting statistical property revaluations. This is an increase of \$116,594 over the FY2014 Budget as Enacted.

Municipal Road and Bridge Fund: The Governor does not provide any additional funding to capitalize the revolving fund.

Education Aid

The Governor recommends an additional \$39.3 million in education aid, including an increase of \$34.9 million to fully fund the fourth year of the funding formula.

Transportation: The Governor provides \$4.4 million in FY2015, an increase of \$1.1 million over the FY2014 enacted level for the cost of transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts.

Career and Technical Schools: The Governor adds \$500,000 to help districts with certain start-up and maintenance expenditures for career and technical education programs, bringing total program funding to \$3.5 million in FY2015.

Early Childhood Education: The category includes a program for early childhood education programs. The Governor recommends funding this category at \$3.0 million in FY2015, an increase of \$1.0 million over the FY2014 Budget as Enacted.

High-Cost Special Education: The Governor recommends \$1.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted, for high-cost special education students.

Group Homes: The Governor reduces funding for group home beds by \$1.0 million less than the FY2014 Budget as Enacted, reflecting a reduction in the number of filled beds.

Central Falls Stabilization: Central Falls is currently 100.0 percent state funded, but the formula assumes that the district will increase its local school support. To ease the transition, this Governor provides \$1.8 million in additional aid to Central Falls to partially offset this increased obligation.

All-Day Kindergarten Pilot: The Governor includes \$1.4 million in formula aid for districts that may convert to full-day kindergarten in FY2015.

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

Textbook Reimbursement: The Governor eliminates the state Textbook Reimbursement Program, generating \$240,000 in general revenue savings and proposes to shift the cost for these textbooks to the districts.

School Breakfast Program: The Governor makes the appropriation of the state subsidy permissive, instead of mandatory and eliminates the State's \$270,000 share of administrative costs for the school breakfast program.

School Housing Aid: The Governor fully funds school housing aid, based on updated project completion projections, at a level \$2.0 million below the FY2014 Budget as Enacted.

Teacher Retirement: The Governor fully funds the State's share of teacher retirement, based on updated teacher wage base data, at a level \$1.4 million below the FY2014 Budget as Enacted.

Governor's Recommended Education Aid

Categorical	Change from	
	FY2015	Enacted
Year 4 of Funding Formula	\$804.5	\$31.7
Transportation	4.4	1.1
Career & Tech. Schools	3.5	0.5
Early Childhood	3.0	1.0
High Cost Special Education	1.5	0.5
Central Falls Stabilization Fund	1.8	1.8
All-Day Kindergarten Pilot	0.3	-
E-Rate Program	0.4	-
Textbook Reimbursement	0.0	(0.2)
School Breakfast	0.0	(0.3)
Total	\$819.3	\$36.1

\$ in millions.

Capital and Technology Investments

November 2014 Bond Referenda: The Governor recommends a total of \$275.0 million in new bond referenda for voter consideration on the November 2014 ballot.

November 2014 Bond Referenda	
Higher Education Facilities - URI College of Engineering	\$125.0
Creative and Cultural Economy	35.0
Mass Transit Hub Infrastructure	40.0
Clean Water, Open Space and Healthy Communities	75.0
Total	\$275.0

\$ in millions.

- **Higher Education Facilities – URI College of Engineering:** The Governor recommends a \$125.0 million bond referendum for the renovation of existing facilities and construction of additions to URI’s College of Engineering complex. If approved, construction is scheduled to begin in FY2016 and continue through post-FY2019, with the majority of funding to be allocated in FY2019 (\$45.0 million).
- **Creative and Cultural Economy:** The Governor proposes a general obligation bond issue to fund a Cultural Arts and the Economy Grant Program. The bond includes \$30.0 million for the preservation and renovation of Rhode Island public and nonprofit performance centers, historic sites, museums and cultural art centers. The Governor also proposes \$5.0 million to capitalize the existing Historic Preservation and Heritage Commission’s State Preservation Grants Program, a matching grant program that allows municipalities and non-profit organizations to improve historic sites, museums and cultural arts centers located in historic structures.
- **Mass Transit Hub Infrastructure:** The Governor proposes a general obligation bond issue to fund the enhancement and renovation of mass transit infrastructure.
- **Clean Water, Open Space and Healthy Communities:** The Governor funds the “Jobs for a Beautiful Rhode Island” initiative with a \$75.0 million general obligation bond authorization, including \$40.0 million for land acquisition, rehabilitation and array of “green” projects, \$20.0 million for clean water infrastructure, and \$15.0 million for water facilities assistance.

Quasi-Public Agency Debt Requests: The Governor recommends \$148.1 million in General Assembly approved debt authorizations.

- **Virks Building Renovations:** Authorizes the issuance of \$13.0 million in debt to renovate the currently vacant Virks Building on the Pastore Government Center into office space for the Executive Office of Health and Human Services.
- **Garrahy Courthouse Parking Project:** Authorizes the issuance of \$45.0 million to fund the design and construction of a parking garage and retail space on the current site of the Garrahy Courthouse surface parking lot.
- **Rhode Island Airport Corporation Revenue Bonds:** Authorizes the issuance of \$60.0 million in revenue bonds for various improvements at T.F. Green Airport and other state owned airports. T.F. Green Airport projects include a de-icer management system, a runway E-23 extension, and an hangar 2 upgrade.
- **Information Technology Improvements:** Authorizes a \$30.1 million debt issuance for statewide information technology projects. Assuming an average interest rate of 5.0 percent, total payments over a 10-year period are projected to be \$38.9 million.

Consolidations, Transfers, and Other Statewide Issues

Rhode Island Emergency Management Agency: The Governor establishes the Rhode Island Emergency Management Agency (RIEMA) as a stand-alone agency beginning in FY2015. Currently, RIEMA and the RI National Guard comprise Military Staff. No additional funds or new FTE positions will be required, however, the existing 32.0 FTE positions associated with RIEMA will transfer to the new agency.

Low Income Home Energy Assistance Program Enhancement Plan (LIHEAP Enhancement): The administrative responsibilities associated with the Low Income Home Energy Assistance Program (LIHEAP) Enhancement Plan (“Henry Shelton Act”) are transferred from the Office of Energy Resources (OER) to the Department of Human Services (DHS), completing the transfer of the LIHEAP program from OER to DHS that began in FY2012.

Unlike the LIHEAP program, which is funded entirely with federal funds, the LIHEAP Enhancement Plan program is funded through a monthly assessment on National Grid electric and gas customers and is used to augment the pool of federal aid available to National Grid customers who may be eligible to receive a credit on their gas or electricity bill.

DHS will now be responsible for the full administration of the program including being the responsive agency during the annual regulatory review of the program by the Public Utilities Commission.

Office of Diversity, Equity, and Opportunity: The Governor proposes merging the existing programs and functions of the Office of Outreach and Diversity, the State Equal Opportunity Office, and the Minority and Disadvantaged Business Enterprise to support the Office of Diversity, Equity, and Opportunity. \$300,000 in general revenue and 3.0 new FTE positions are added to the new Executive Office.

DEM Office of Technical and Customer Assistance: An Office of Technical and Customer Assistance in the Department of Environmental Management (DEM) is established to support efforts to improve customer service and performance through the Department’s lean initiative. This Office is statutorily created with existing FTE positions and funding.

Office of Regulatory Reform (ORR): The Governor maintains the Office of Regulatory Reform within the Office of Management and Budget, reversing legislation enacted during the 2013 legislative session that would have transferred this office to the Executive Office of Commerce, effective February 1, 2015. Article 19 delays the creation of the Executive Office of Commerce (EOC) to July 1, 2015.

State Employee COLA: No statewide cost of living adjustment (COLA) for state employees is included in the Governor’s FY2015 Budget. Negotiations continue with State employee unions.

State Employee Health Benefits: The Governor’s budget includes \$3.7 million in state employee health benefit savings, reflecting a new contract with United Healthcare. The revised contract accounts for lower healthcare trends and reduced administrative costs.

FY2014 Supplemental

FY2014 opened with \$10.7 million in additional surplus funds above the budgeted \$93.4 million. The November 2013 Revenue Estimating Conference identified \$45.6 million in additional anticipated collections for FY2014. Revenue for FY2014 is also increased by the proposed transfer of \$3.3 million in issued bond premiums from the RICAP fund to general revenues.

The Governor's budget recommends a \$8.0 million reduction in general revenue expenditures compared to the FY2014 Budget as Enacted. The surpluses are largely in Education, General Government, and Public Safety areas, offset by \$4.9 million additional spending in DHS to support the UHIP project.

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

- **OHHS:** Reduces the Affordable Care Act transition fund from \$2.0 million to \$1.0 million. This fund was established to minimize any potential service gaps experienced by those transitioning to Medicaid expansion or to the Exchange.
- **BHDDH:** Provides an additional \$1.3 million for overtime at RICLAS group homes and Eleanor Slater Hospital.
- **Administration:** Includes a reappropriation of \$674,679 reflecting unspent funds for the I-195 Redevelopment District, and \$500,000 for the classification and compensation study. Adds \$180,000 in the Office of Digital Excellence to develop a "Code for America" knowledge portal for K-12 education. Adds \$24.1 million in federal funds for HealthSource RI, the health benefits exchange, in response to updated contract costs and project timeline.
- **Human Services:** Includes \$5.3 million in general obligation bond proceeds to begin construction of a new Veterans' Home complex, which is part of a \$94.0 million voter-approved bond issue. The revised budget adds \$3.7 million in general revenue for the Department's portion of costs associated with the United Health Infrastructure Project (UHIP), and includes \$1.1 million in additional personnel savings at the Veterans' Home.
- **Elementary and Secondary Education:** Reduces School Housing Aid by \$2.3 million due to project delays; reduces School for the Deaf funding by \$149,365 for personnel costs and various adjustments in operating and contracted services; increases Funding Formula Aid by \$90,130 due to updated student enrollment data; and reduces Teacher Retirement costs by \$799,316 due to a lower-than-projected wage base.
- **Attorney General:** Increases Google forfeiture restricted receipts by \$10.6 million for IT upgrades and for the purchase of real estate to provide space for Department operations.
- **Corrections:** Removes \$1.2 million, reflecting a delay in Correctional Officer training to FY2015.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted	Governor	Governor	Enacted	Governor
Accounts & Control	\$3.7	\$4.0	\$3.9	(\$0.1)	-2.5%	\$4.0	\$0.0	0.8%
Auditing	1.1	1.3	1.4	0.1	7.7%	1.4	0.1	10.0%
Budgeting/Office of Management and Budget	3.1	4.5	4.2	(0.3)	-6.7%	4.2	(0.3)	-6.7%
Construction Permitting, Approvals and Licensing	2.5	2.9	2.9	-	0.0%	2.8	(0.1)	0.0%
Capital Projects and Property Management	1.2	1.2	1.3	0.1	8.3%	1.3	0.1	8.3%
Central Management	2.3	3.1	3.3	0.2	6.5%	2.9	(0.2)	-6.5%
Debt Service Payments	195.0	193.0	189.8	(3.2)	-1.7%	219.6	26.6	13.8%
Energy Resources	4.0	11.2	11.9	0.7	6.3%	5.8	(5.4)	-48.2%
Facilities Management	33.7	37.4	35.3	(2.1)	-5.6%	35.8	(1.6)	-4.3%
General	42.8	70.9	66.1	(4.8)	-6.8%	58.3	(12.6)	-17.8%
Human Resources	10.6	11.2	10.9	(0.3)	-2.7%	10.6	(0.6)	-5.4%
Information Technology	31.1	34.0	33.5	(0.5)	-1.5%	33.8	(0.2)	-0.6%
Legal Services	2.0	2.0	2.4	0.4	20.0%	2.0	-	0.0%
Library and Information Services	2.0	2.2	2.4	0.2	9.1%	2.1	(0.1)	-4.5%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%
Personnel Reform	0.6	-	-	-	0.0%	-	-	0.0%
Planning	16.5	20.7	23.4	2.7	13.0%	20.1	(0.6)	-2.9%
Purchasing	2.8	3.2	3.2	-	0.0%	3.0	(0.2)	-6.3%
Rhode Island Health Benefits Exchange	21.8	28.3	52.4	24.1	0.0%	23.4	(4.9)	0.0%
Salary and Benefit Adjustments	-	(2.5)	(0.4)	2.1	0.0%	-	2.5	0.0%
Office of Diversity, Equity, and Opportunity	-	-	-	-	0.0%	1.2	1.2	0.0%
Total	\$376.9	\$428.7	\$448.0	\$19.3	4.5%	\$432.5	\$3.8	0.9%
Expenditures by Source								
General Revenue	\$260.9	\$264.8	\$262.1	(\$2.7)	-1.0%	\$295.6	\$30.8	11.6%
Federal Funds	48.0	62.2	90.5	28.3	45.5%	53.5	(8.7)	-14.0%
Restricted Receipts	7.2	15.9	15.8	(0.1)	-0.6%	14.2	(1.7)	-10.7%
Other Funds	60.8	85.8	79.6	(6.2)	-7.2%	69.2	(16.6)	-19.3%
Total	\$376.9	\$428.7	\$448.0	\$19.3	4.5%	\$432.5	\$3.8	0.9%
Authorized FTE Levels	712.1	720.7	720.7	-	0.0%	723.7	3.0	0.4%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor's proposal creates an Office of Diversity, Equity, and Opportunity by merging the existing programs and functions of the Equal Employment Opportunity and Outreach and Diversity programs from the Human Resources program; and by merging the Minority Business Enterprise and the Disadvantaged Business Enterprise offices from the Purchasing program. The Governor shifts 4.0 FTE positions to the newly created Office of Diversity, Equity, and Opportunity from the Human Resources program, and also recommends the transfer of 3.0 FTE positions from Purchasing.

For FY2014, the Governor includes an additional \$24.1 million for HealthSource RI, Rhode Island's Health Benefits Exchange, due to increased federal funding and to reflect project delays that have shifted funding from FY2013 to FY2014.

ACCOUNTS AND CONTROL

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

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan. The Governor recommends 37.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Accounts and Control	General Revenue
FY2014 Enacted	\$3,966,422
<i>Target and Other Adjustments</i>	<i>67,326</i>
FY2015 Governor	\$4,033,748

BUREAU OF AUDITS

The Bureau of Audits performs the auditing function for the executive branch of state government. The Bureau provides the Director of Administration with an independent appraisal and evaluation of the effectiveness of financial and operational control through objective analyses, evaluations, and recommendations on operations, systems, controls, and contracted services. The Governor recommends 12.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Auditing	General Revenue
FY2014 Enacted	\$1,344,585
<i>Target and Other Adjustments</i>	<i>89,980</i>
FY2015 Governor	\$1,434,565

BUDGET/OFFICE OF MANAGEMENT AND BUDGET

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

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation and is responsible for economic analysis and revenue estimating, and participating in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environments.

The Governor recommends 31.0 positions in FY2014 and in FY2015, consistent with the enacted level.

Office of Management and Budget	General Revenue
FY2014 Enacted	\$4,049,888
<i>Target and Other Adjustments</i>	
	<i>175,692</i>
Federal Grants Administration	209,031
Electronic Local Permitting Initiative	(280,000)
FY2015 Governor	\$4,154,611

Federal Grants Administration**\$209,031**

The Governor adds \$209,031 in general revenue (\$195,926 personnel and \$13,105 operating) and shifts 2.0 FTE positions that were previously funded from restricted receipts for the Federal Grants Management Office in OMB. The positions were funded through the 0.05 percent allowable deduction from the federal American Recovery and Reinvestment Act of 2009 (ARRA). As ARRA resources are ending, the Governor recommends shifting personnel to general revenue and the office will continue to search for federal funding opportunities.

Electronic Local Permitting Initiative**(\$280,000)**

The Governor recommends \$300,000 for the Electronic Local Permitting Initiative. This reflects a decrease of \$280,000 from the FY2014 Budget as Enacted appropriation which included the FY2013 carry forward of \$280,000. The Initiative is to establish a uniform web-based system for an electronic plan review of the State's and municipalities' building plans, permit management, and building inspection methods using an online building permit system. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal, and the Office of Regulatory Reform.

According to OMB a Request for Proposal was drafted and sent to State Purchasing on February 25, 2014, for public posting. OMB anticipates a vendor to be in place by April 2014 with completion of a functioning State platform December 2014. Phase II of the initiative for municipalities will commence soon after. OMB anticipates that \$1.0 million from the new \$30.0 million COPs issuance for Information Technology projects will finance the municipal portion of the initiative.

Analyst's Note: The FY2015 Budget does not include the Rhode Island Foundation's \$50,000 donation for the e-permitting initiative. According to the Budget Office, an amendment will be drafted to correct this oversight.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Governor recommends 24.0 FTE positions in FY2014 and in FY2015, consistent with the enacted level.

- The Building Code Commission oversees the approval of state projects for conformance to Americans with Disabilities Act (ADA) and accessibility standards and building codes. The Commission also conducts a variety of training programs for code officials and those in the building trades.
- The Contractors' Registration and Licensing Board safeguards consumers' rights related to contracted improvements on their property and has a dispute resolution process that criminally prosecutes cases when not resolved through the Attorney General's Office in District Court. The Board registers contractors who perform work on residential and commercial properties.
- The Fire Code Board of Appeal and Review adopts fire safety codes, provides hearings for code appeals, and provides training and technical assistance to local authorities.

Construction Permitting, Approvals, and Licensing	General Revenue
FY2014 Enacted	\$1,421,350
<i>Target and Other Adjustments</i>	<i>\$62,175</i>
FY2015 Governor	\$1,483,525

CAPITAL PROJECTS AND PROPERTY MANAGEMENT

The Division of Capital Projects and Property Management is responsible for the planning, design and construction of new state facilities, and renovations to existing buildings. The program also solicits, negotiates, and administers real estate leases. The Governor recommends 9.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Capital Projects and Property Management	General Revenue
FY2014 Enacted	\$1,240,545
<i>Target and Other Adjustments</i>	<i>37,709</i>
FY2015 Governor	\$1,278,254

CENTRAL MANAGEMENT

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

- The Director's Office provides for the overall operation of the department and provides assistance to all Executive branch agencies and to the Office of the Governor.
- The Central Business Office provides financial management assistance to the program areas within the Department of Administration and the Department of Revenue to ensure maximum use of state and federal resources.
- The Office of Digital Excellence manages the implementation of all new and mission critical technology infrastructure projects and upgrades for state agencies.
- The Judicial Nominating Commission recommends candidates to the Governor to fill vacancies in the Rhode Island Judiciary. The Commission is required by statute to advertise for each judicial vacancy and to actively seek and encourage applications from qualified individuals

The Governor recommends 26.0 FTE positions in FY2014 and 27.0 FTE positions in FY2015, reflecting the transfer of a 1.0 Executive Secretary position from the Division of Planning to the State Properties Committee.

Central Management	General Revenue
FY2014 Enacted	\$2,922,038
<i>Target and Other Adjustments</i>	<i>35,926</i>
38 Studios Debt Service Market Analysis	(50,000)
FY2015 Governor	\$2,907,964

38 Studios Debt Service Market Analysis (\$50,000)

The FY2014 Budget as Enacted included a one-time appropriation of \$50,000 in general revenue to conduct a market analysis regarding potential credit and reputational impacts to the State if it were to default on the \$75.0 million 38 Studios moral obligation debt.

DEBT SERVICE

The Debt Service Payments program reflects funding for expenditures for both long- and short-term tax supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, Rhode Island Economic Development Corporation, or other obligations that are part of the State's net tax supported debt.

Debt Service	General Revenue
FY2014 Enacted	\$157,387,801
<i>Target and Other Adjustments</i>	<i>(237,425)</i>
General Obligation Bonds	12,850,010
38 Studios Debt Service	9,835,000
Historic Structures Tax Credit	8,341,100
I-195 Land Purchase	(652,000)
Certificates of Participation (COPs)	99,407
FY2015 Governor	\$187,623,893

General Obligation Bonds**\$12.9 million**

The Governor appropriates \$83.1 million for general obligation bond debt service in FY2015. This reflects a net increase of \$12.9 million from the \$70.3 million appropriated in the FY2014 Budget as Enacted. Two of the more significant debt service items include the Department of Transportation's shift of \$10.0 million in debt service costs to general revenue funds under the Department of Administration budget. This shift is scheduled to occur annually, in \$10.0 million increments, until all transportation debt service costs are charged to DOA. These payments will increase over time, reaching \$41.7 million in FY2021, before reduction and eventual elimination in FY2034 as the previously-issued general obligation bonds are extinguished and no further bonds are issued to provide state match.

The other factor is an increase of \$2.6 million in debt service related to the Clean Water Finance Agency bond issuance.

38 Studios Debt Service**\$9.8 million**

The Governor recommends \$12.3 million in general revenue to replenish the Economic Development Corporation's Job Creation Guaranty Program 38 Studios Capital Reserve Fund. This is \$9.8 million more than the amount appropriated in the FY2014 Budget as Enacted.

On July 26, 2010, the EDC Board gave final approval for a \$75.0 million guaranty to 38 Studios, LLC. The terms of the guaranty are:

- Between November 2, 2010, to November 2, 2011, 38 Studios, LLC was disbursed \$49.5 million out of the \$75.0 million total guaranty.
- EDC issued \$75.0 million in moral obligation revenue bonds.
- Out of the \$75.0 million in bond proceeds, a one-year debt service reserve of \$12.7 million was withheld to cover the principal and interest payments due in 2013. An additional \$10.6 million was held in a capitalized interest account to cover the interest only payments paid in 2011 and 2012.

Analyst's Note: Under the loan guaranty agreement between 38 Studios, LLC and the EDC, in the event that 38 Studios, LLC defaults on its obligations the State could be liable to replenish the debt service reserve. The capital reserve fund does not possess sufficient funds to cover the full debt service costs in FY2015, therefore requiring the State to appropriate \$12.3 million into the reserve fund. Beginning in FY2016, the required debt service on the bonds will be approximately \$12.5 million per year through FY2021.

Historic Structures Tax Credit (New Issuance)**\$8.3 million**

The Governor recommends an appropriation of \$31.7 million in general revenue, an increase of \$8.3 million from the FY2014 Budget as Enacted, for debt service costs associated with the Rhode Island Commerce Corporation (formerly the Economic Development Corporation) bonds issued to facilitate the processing and payment of historic structures tax credit redemptions.

The Budget Office assumes that \$202.0 million remains to be issued of these bonds, of which \$75.0 million will be issued in FY2014 and another \$75.0 million will be issued in FY2015, both at an interest rate of 4.5 percent and amortized over 9-years. The Governor increases the debt service payment appropriation \$8.3 million for the full principal and interest on the total \$150.0 million issuance. Due to the timing of the issuance occurring in the spring of FY2014, only an interest payment of \$2.0 million is required in FY2014. The final \$52.1 million will be issued in FY2018, also amortized over nine years.

I-195 Land Purchase**(\$652,000)**

The Governor recommends a decrease of \$652,000 in general revenue from the FY2014 Budget as Enacted, for debt service related to the I-195 Redevelopment Commission issuance of \$42.0 million in revenue bonds through the Economic Development Corporation to acquire the land made available by the relocation of Route I-195. The initial Budget Office projection assumed a cost of \$40.0 million to purchase the land and \$2.0 million for bond issuance costs. In addition, the projection assumed an interest-only payment of \$1.2 million in FY2015. Subsequently, the Budget Office has revised the projected debt service payment downward based on the variable interest rate on the bonds, resulting in a projected expense of \$500,000 in FY2015, \$652,000 less than required in FY2014.

Analyst's Note: The intended goal is to have the revenue derived from the eventual sale of this land, which is currently owned by the Department of Transportation be used to repay the revenue bonds. Until such time permits, the State will be responsible for the debt service.

Certificates of Participation (COPs)**\$99,407**

The Governor recommends an appropriation of \$24.9 million in general revenue to cover the debt service on 10 projects financed through Certificates of Participation (COPs). This reflects an increase of \$99,407 from the FY2014 Budget as Enacted to reflect the level of funding required for this service.

COPS Funded Projects	FY2014	FY2015	Change
	Enacted	Governor	
Attorney General - Debt Service	\$328,544	\$326,826	(\$1,718)
Center General Bldg. - Tenant	378,704	460,661	81,957
Center General Building	351,959	270,252	(81,707)
DCYF Training School	4,212,250	3,095,250	(1,117,000)
Energy Conservation	5,337,399	7,051,148	1,713,749
Kent County Courthouse	4,618,282	2,876,050	(1,742,232)
Proposed Issuance	1,104,013	-	(1,104,013)
School for the Deaf	2,480,650	2,480,250	(400)
Technology	4,338,825	7,045,994	2,707,169
Traffic Tribunal - Debt Service	1,677,048	1,320,650	(356,398)
COPS - Total	\$24,827,674	\$24,927,081	\$99,407

OFFICE OF ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive, integrated, development, administration and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to

executive leadership. The Governor recommends 10.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Office of Energy Resources	Other Fund Changes
ARRA - State Energy Plan	(5,150,000)

ARRA - State Energy Plan (federal funds) (\$5.2 million)

The Governor's FY2015 Budget reflects a \$5.2 million decrease in federal funds as a result of the federal ARRA State Energy Plan award ending in FY2014 and no further appropriation into FY2015.

FACILITIES MANAGEMENT

The Division of Facilities Management provides maintenance and operations services at 140 buildings under the direct jurisdiction of the Department of Administration. The areas of responsibility include the State-owned buildings at the Capitol Hill Complex, Pastore Center, Zambarano Campus, Veterans' Home, Ladd Center and numerous other state buildings. The program also includes State Fleet Operations, Environmental Compliance, Asset Protection, and Surplus Property functions. The Governor recommends 114.5 positions in FY2014 and FY2015.

Facilities Management	General Revenue
FY2014 Enacted	\$32,198,875
<i>Target and Other Adjustments</i>	<i>(40,333)</i>
Capital Center Utilities	(1,113,622)
Operating Expenses Net of Utilities	(228,803)
FY2015 Governor	\$30,816,117

Capital Center Utilities (\$1.1 million)

The Governor appropriates \$15.4 million to pay the Capital Center utility expenses, reflecting a reduction of \$1.1 million from the FY2014 Budget as Enacted. The Governor's recommendation is based on forecasted commodity and utility expenditures.

Capital Center Utility Expenses	FY2014 Enacted	FY2015 Governor	Change
CUF: Overhead	\$2,947,645	\$2,736,277	(\$211,368)
Electricity	232,400	206,421	(25,979)
Fuel: Natural Gas	8,937,605	8,361,648	(575,957)
Fuel: Oil #2 - Home Heating Oil	339,830	384,602	44,772
Fuel: Oil #6 - Bunker 'C'	788,500	497,400	(291,100)
Fuel: Wood Chips	-	189,841	189,841
Sewer Use	1,873,111	1,871,053	(2,058)
Telecomm: Overhead	48,036	50,024	1,988
Telecomm: Telephone Charges	25,500	25,500	-
Telephone and Telegraph	1,410	1,408	(2)
Water	1,344,359	1,100,600	(243,759)
Total	\$16,538,396	\$15,424,774	(\$1,113,622)

Operating Expenses Net of Utilities (\$228,803)

The Governor recommends a decrease of \$228,803 in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within four natural accounts.

Operating Expenses	FY2014 Enacted	FY2015 Governor	Change
Building Maintenance & Repairs	\$1,422,500	\$1,234,445	(\$188,055)
Insurance: Property/Casualty	33,615	410,834	377,219
Maintenance/Repairs: Other Equip	599,510	496,175	(103,335)
Janitorial Supplies & Equip	353,250	329,685	(23,565)
All Other Adjustments	1,175,209	884,142	(\$291,067)
Total	\$3,584,084	\$3,355,281	(\$228,803)

GENERAL

The General program reflects funds appropriated to finance expenditures not allocated to other State departments or agencies and not specific to any one program within the Department of Administration. Grants and benefits reflect grants made to certain organizations, which are appropriated by the General Assembly. This includes grants made to the Rhode Island Commerce Corporation, the Slater Centers of Excellence and the RI Research Alliance. The Governor recommends 2.6 FTE positions in FY2014 and FY2015, consistent with the enacted level.

General	General Revenue
FY2014 Enacted	\$23,623,489
<i>Target and Other Adjustments</i>	(435)
Commerce RI - Volvo Ocean Race	775,000
Commerce RI - Slater Centers of Excellence Fund	(500,000)
Health Information Exchange	(225,000)
Commerce RI - I-195 Redevelopment District Commission	(200,000)
Library Construction Aid	(169,077)
Commerce RI - Creative and Cultural Economy Coordinator	75,000
FY2015 Governor	\$23,378,977

Commerce RI – Volvo Ocean Race

\$775,000

The Governor recommends \$775,000 to support the May 2015 Volvo Ocean Race international sailing competition in Newport. The yachting race is in its 12th edition and is a circumnavigation of the world. Newport, Rhode Island, will be one of the stops in the round-the-world race. At each “leg” of the race, the sailors and yachts conduct an “in port” race. The Governor recommends that the added funds be used to enhance State tourism.

Commerce RI – Slater Centers of Excellence

(\$500,000)

The Governor recommends \$500,000 to the Slater Centers of Excellence in FY2015. This reflects a reduction of \$500,000 from the FY2014 Budget as Enacted. Begun in 1997, the State has appropriated \$45.6 million in general revenue to stimulate the growth of new industries in the state. The program was formerly known as the Centers of Excellence program and as the Slater Technology Fund. The Slater Centers of Excellence program funding is a line item appropriation within the Department of Administration and administered through Commerce RI. The Slater Centers of Excellence program design is to support the development of emerging industries with potential for significant long-term growth. Support is provided through four key features;

- Direct Investment – investing directly with entrepreneurs,
- Venture Support – assisting entrepreneurs in developing support and business plans,
- Capital Formation – developing additional; sources of venture capital to leverage investments, and;
- Incubator Facilities – provide facilities for new ventures.

In August 2011, the State, through the former Rhode Island Economic Development Corporation, received a \$13.1 million federal fund award for the State Small Business Credit Initiative (SSBCI), of which the Slater Centers of Excellence received \$9.0 million over a 4-year period of time. The State funds reduction is offset by the receipt of the SSBCI federal funds. The Governor intends to reduce the state appropriation each year to make the Slater Centers self-sufficient by FY2016, through the use of the SSBCI award and private funding.

Health Information Exchange

(\$225,000)

The Governor appropriates \$225,000 in general revenue towards the payment for the Health Information Exchange (HIE), CurrentCare. This reflects a reduction of \$225,000 from the FY2014 Budget as Enacted and was made as a means for the Department to meet the budget target instructions. This initiative within the Department of Administration reduces the contribution for state health plan enrollees from \$1.00 to \$.50 cents per member per month.

CurrentCare, Rhode Island's the Statewide Health Information Exchange (HIE), is a secure electronic system which will allow doctors and other care givers immediate access to a patient's up-to-date health information in order to provide the best possible and most comprehensive care.

The State's Health Information Exchange, CurrentCare is funded through a broad based financing strategy that seeks \$1.00 per member per month from all commercial insurers and self-insured employers in the state. To encourage contributions the State began to make its own voluntary contribution. There are now 19 self-insured employers contributing to the HIE.

Commerce RI – I-195 Redevelopment Commission

(\$200,000)

The Governor recommends an appropriation of \$301,000 in general revenue to fund administrative, legal and engineering costs to be incurred by the I-195 Redevelopment Commission. This reflects a reduction of \$200,000 from the FY2014 Budget as Enacted. Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway.

Analyst's Note: The FY2013 Budget as Enacted included \$3.9 million in general revenue, of which \$900,000 was appropriated to fund administrative, legal, and engineering costs to be incurred by the Commission and \$3.0 million to cover a shortfall in available bond funds authorized to complete the land transfer of the former federal I-195 highway land. The Commission did not expend the full appropriation and \$674,679 was reappropriated into FY2014 giving the Commission \$1.2 million in general revenues for administrative functions. As of February 18, 2014, the Commission expended \$326,702 and has a balance of \$848,977.

Library Construction Aid

(\$169,077)

Rhode Island law grants authority to the Office of Library and Information Services to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years. For FY2014, the Governor includes \$2.5 million for Library Construction Aid, and for FY2015, the Governor recommends \$2.3 million, a decrease of \$169,077 to reflect actual reimbursement costs. The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ends on July 1, 2014.

Commerce RI – Creative and Cultural Economy Coordinator

\$75,000

The Governor adds \$75,000 to the Rhode Island Commerce Corporation to hire a Creative and Cultural Economy Coordinator, who will be responsible for the planning, developing, managing, and coordinating the State's overall economic development efforts in the creative and cultural economy.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government. The Governor recommends 105.5 FTE positions in FY2014 and 101.5 in FY2015, reflecting the transfer of 4.0 FTE positions to the new Office of Diversity, Equity, and Opportunity.

Human Resources	General Revenue
FY2014 Enacted	\$8,329,216
<i>Target and Other Adjustments</i>	26,213
Transfer to Office of Diversity, Equity, and Opportunity	(524,881)
FY2015 Governor	\$7,830,548

Transfer to Office of Diversity, Equity, and Opportunity (\$524,881)

The Governor transfers the functions and existing personnel from the Equal Employment Opportunity and Outreach and Diversity programs from the Human Resources program. The Governor shifts \$524,881 reflecting personnel and operating expenses along with 4.0 FTE positions to the new program.

INFORMATION TECHNOLOGY

The Division of Information Technology (DoIT) program oversees, coordinates, and develops all information technology (IT) resources within the executive branch. All hiring and spending decisions involving IT may only be made with the advice and approval of the Chief Information Officer. Information Technology defines and maintains the architectural standards for hardware, software, networks, and services that guide state investments in IT. The Governor recommends 190.5 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Information Technology	General Revenue
FY2014 Enacted	\$19,293,222
<i>Target and Other Adjustments</i>	84,051
FY2015 Governor	\$19,377,273

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Governor recommends 15.6 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Legal Services	General Revenue
FY2014 Enacted	\$1,948,683
<i>Target and Other Adjustments</i>	91,189
FY2015 Governor	\$2,039,872

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs

for public and institutional libraries. The Governor recommends 13.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Library and Information Services	General Revenue
FY2014 Enacted	\$1,007,465
<i>Target and Other Adjustments</i>	<i>(851)</i>
Personnel Changes	(125,150)
FY2015 Governor	\$881,464

Personnel Changes **(\$125,150)**

The Governor recommends a net reduction of \$125,150 in general revenue for OLIS personnel expenses, reflecting a full year of turnover by keeping a Library Program Manager I position vacant through FY2015. However, maintaining the vacancy of this position will result in the State failing to meet the federal Library Services and Technology Act maintenance of effort agreement, resulting in a potential reduction of future federal funding of \$45,481 in FY2016 and \$90,963 in FY2017.

PERSONNEL APPEAL BOARD

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

Personnel Appeal Board	General Revenue
FY2014 Enacted	\$75,036
<i>Target and Other Adjustments</i>	<i>\$180</i>
FY2015 Governor	\$75,216

PLANNING

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

- Statewide Planning staffs the State Planning Council, which is comprised of state and local government officials, public members, and federal officials in an advisory capacity. The State Planning Council serves as the state's Metropolitan Planning Organization, responsible for planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest. Housing and Community Development administers the Housing Resources Commission (HRC) and the federal Community Development Block Grant (CDBG) program.
- The HRC provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and implementation of the state's plan to end homelessness. The CDBG program provides funding to 33 municipalities to address housing and community development needs. This includes the Neighborhood Stabilization Program of the Housing and Economic Recovery Act of 2008, which addresses the impact of foreclosure statewide.

- The Water Resources Board (WRB) manages the planning and development of twenty-nine major water supply systems and the Big River Management Area.

The Governor recommends 38.0 FTE positions in FY2014 and FY2015, reflecting the transfer of a 1.0 Executive Secretary position from the Division of Planning to Central Management that is assigned to the State Properties Committee and a new 1.0 Principal Planner position to administer the Hurricane Sandy federal grants.

Planning	General Revenue
FY2014 Enacted	\$4,701,094
<i>Target and Other Adjustments</i>	<i>141,684</i>
Surveyor Services	(100,000)
State Lead Hazard Reduction	(300,000)
FY2015 Governor	\$4,442,778
Planning	Other Fund Changes
Hurricane Sandy Funds	\$2,514,182

Surveyor Services **(\$100,000)**

The Governor eliminates \$100,000 in general revenue for professional contract surveyor services associated with the Water Resources Board's Water Allocation Plan. The Department recommends that this funding be an expenses paid from the Drinking Water Protection and Enhancement proceeds derived from the \$75.0 million clean water bond issue proposed as Question 4 for the November 2014 ballot.

State Lead Hazard Reduction **(\$300,000)**

The Governor decreases general revenue funding for the Housing Resource Commission's State Lead Hazard Reduction grants by \$300,000. The Governor's recommendation reflects the Department's FY2015 Constrained Budget Request in an effort to meet the Department's budgetary target. Federal funding from the State's Community Development Block Grant (CDBG) program supports housing rehabilitation activities. Households unable to access the State's Lead Hazard Reduction funds may apply for federal funding to assist with lead remediation.

Hurricane Sandy Funds (federal funds) **\$2.5 million**

In October 2013, the State received additional federal funds as part of the Hurricane Sandy recovery. To date, the State has received \$19.2 million from the federal Housing and Urban Development for the storm recovery. The Governor includes \$2.5 million in federal funds to provide additional resources to assist the State in the storm recovery and to protect the State from future storms. The appropriation includes \$2.4 million for grant disbursements; however the Department has not yet determined the application and receipt awarding methodology. The remaining \$100,688 will be used to fund a 1.0 Principal Planner position to administer this program. The position will terminate once funding from the federal Hurricane Sandy grant is exhausted.

PURCHASING

The Purchasing division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The Procurement division solicits bids or requests for proposal for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services includes purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public. The Minority Business Enterprise function is responsible for supporting state laws and

policies to ensure full participation of minority business enterprises in state-funded construction programs and projects, and state purchases of goods and services. The Governor recommends 33.0 FTE positions in FY2014 and 30.0 positions in FY2015, reflecting the transfer of 3.0 FTE positions to the new Office of Diversity, Equity, and Opportunity.

Purchasing	General Revenue
FY2014 Enacted	\$2,689,542
<i>Target and Other Adjustments</i>	298,730
Transfer to Office of Diversity, Equity, and Opportunity	(252,316)
FY2015 Governor	\$2,735,956

Transfer to Office of Diversity, Equity, and Opportunity **(\$252,316)**

The Governor transfers the personnel and operating expenses along with 3.0 FTE positions from the Minority Business Enterprise and the Disadvantaged Business Enterprise offices currently in the Purchasing program to the new program Office of Diversity, Equity, and Opportunity.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

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

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

For FY2015, the Governor adds 10.0 new FTE positions to bring the program's total FTE position level to 25.0. The personnel complement will be comprised of the Director's Office (7.0 FTE positions), information technology and security managers (3.0 FTE positions), financial management staff (10.0 FTE positions) community outreach personnel (4.0 FTE positions), and legal counsel (1.0 FTE position). Four of these FTE positions are still authorized through the Governor's Office.

The Governor includes \$23.4 million in federal funds for Rhode Island Health Benefits Exchange for FY2015. This includes \$19.0 million for contracts with vendors such as Deloitte, which is responsible for developing IT systems for the marketplace as well for its financial management, CSG, which is responsible for ensuring that the systems meets design specifications, and Connexions, which is contracted to run a customer service call center. The Governor includes \$3.4 million to fund 25.0 FTE positions and \$1.0 million for operating costs, including the acquisition of dedicated office space for personnel.

Analyst's Note: The Affordable Care Act mandates that state exchanges be self-sustaining by the end of 2014, at which time federal funding expires. The Governor's FY2015 budget includes federal funds to cover a full year of operating costs for the exchange, though these federal funds will expire on December 31, 2014, six months into the fiscal year, leaving the HSRI unfunded for January 1 through June 30, 2015. HealthSource RI has not yet proposed a business plan for self-sustainability.

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

The Governor establishes a new program titled the Office of Diversity, Equity, and Opportunity, consisting of the following subprograms: the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, and the Outreach and Diversity Office; by merging the existing programs and functions of the Equal Employment Opportunity and Outreach and Diversity programs from the

Human Resources program; and by merging the Minority Business Enterprise and the Disadvantaged Business Enterprise offices from the Purchasing program.

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

The Governor transfers 4.0 FTE positions from the Human Resources program, 3.0 FTE positions from Purchasing and adds \$302,223 in general revenue and 3.0 new FTE positions to the new Executive section to the office. The Governor recommends 10.0 FTE positions in FY2015, reflecting a shift of 7.0 FTE existing positions, the addition of 2.0 new FTE Senior Equal Opportunity Officers, and a new 1.0 Director position.

Office of Diversity, Equity, and Opportunity	General Revenue
FY2014 Enacted	-
<i>Target and Other Adjustments</i>	<i>6,989</i>
Transfers from Human Resources	524,881
Transfer from Purchasing	252,316
Director's Office	316,984
FY2015 Governor	\$1,101,170

Transfer from Human Resources ***\$524,881***

The Governor transfers the functions and existing personnel from the Equal Employment Opportunity and Outreach and Diversity programs from the Human Resources program. The Governor shifts personnel and operating expenses along with 4.0 FTE positions to the new program.

Transfer from Purchasing ***\$252,316***

The Governor transfers the functions and existing personnel from the Minority Business Enterprise and the Disadvantaged Business Enterprise offices from the Purchasing program. The Governor shifts personnel and operating expenses along with 3.0 FTE positions to the new program.

Director's Office ***\$316,984***

The Governor creates a Director's office in the new program. The Governor adds \$159,016 for salary and benefits for the new 1.0 FTE Director position, \$146,468 for the salary and benefit costs for 2.0 new FTE Senior Equal Opportunity Officers, and \$11,500 for operating expenses for the office.

CAPITAL PROJECTS

The Governor recommends a total of \$75.4 million in projects for FY2015, of which \$30.2 million is from RICAP funds, \$21.2 million from general obligation bond proceeds, \$21.0 million from COPs, and \$3.1 million from the Information Technology Fund. Significant projects include:

- \$12.5 million in general obligation bonds to continue the affordable housing initiative begun in 2006. Proceeds from the bond will be used to provide rental and homeownership assistance through the redevelopment of existing structures, new construction, and foreclosure assistance.

- \$10.0 million in COPs to fund the first of a 3-year investment to modernize the State's non-DoIT Information Technology (IT) infrastructure. The Governor recommends passage of Article 4 of the FY2015 Budget seeking authorization to issue \$30.1 million in Certificates of Participation (COPs), including financing costs, for 12 information technology projects.
- \$2.4 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center to provide the required funding for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds.
- \$18.9 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$1.5 million in RICAP funds to demolish buildings, \$1.4 million to renovate Harrington Hall, and \$6.0 million to renovate the Virks Building.
- \$3.0 million in RICAP funds for continued renovations to the State House.
- \$2.1 million in RICAP funds to demolish buildings at the former Ladd School in Exeter.

Department of Business Regulation

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.1	\$1.2	\$1.2	\$0.0	1.9%	\$1.2	\$0.0	3.1%
Banking Regulation	1.5	1.8	1.6	(0.3)	-14.8%	1.6	(0.3)	-15.0%
Securities Regulation	0.9	1.0	0.9	(0.1)	-6.0%	1.0	0.0	1.8%
Insurance Regulation	4.7	5.1	5.1	(0.0)	-0.9%	5.2	0.1	1.2%
Board of Accountancy	0.0	0.1	0.0	(0.1)	-79.4%	0.0	(0.1)	-79.4%
Commercial Licensing, Racing & Athletics	1.0	1.2	1.1	(0.1)	-5.9%	1.2	(0.0)	-3.2%
Boards for Design Professionals	0.3	0.3	0.3	0.0	0.9%	0.3	0.0	2.7%
Office of Health Insurance Commissioner	5.2	2.3	4.5	2.2	48.5%	2.5	0.2	10.4%
Total	\$14.7	\$13.0	\$14.7	\$1.7	11.5%	\$13.0	(\$0.0)	-0.1%
Expenditures by Source								
General Revenue	\$8.6	\$9.2	\$8.8	(\$0.4)	-4.7%	\$9.0	(\$0.2)	-2.5%
Federal Funds	4.7	1.7	4.0	2.2	126.5%	2.0	0.3	15.7%
Restricted Receipts	1.4	2.0	1.9	(0.1)	-4.7%	1.9	(0.1)	-2.8%
Total	\$14.7	\$13.0	\$14.7	\$1.7	11.5%	\$13.0	(\$0.0)	-0.1%
Authorized FTE Levels	94.0	94.0	94.0	-	-	94.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

DBR is primarily a regulatory agency, with the bulk of funding (95.9 percent) going towards personnel expenses. Of the total budget, 80.8 percent is for salaries and wages, and another 15.1 percent is for contracted professional services. At \$13.0 million, the Budget is level funded as compared to the FY2014 Budget as Enacted.

The Budget includes \$568,106 in federal funds through the Rate Review Cycle III grant for 4.0 FTE positions within the Office of the Health Insurance Commissioner (OHIC). The grant is intended to establish an effective health insurance rate review program and to develop data centers that publish pricing data for consumers. The Governor's proposal does not increase the department-wide FTE authorization, authorizing 94.0 FTE positions.

Since 2011, DBR has been implementing a strategic plan to ensure the integrity of the financial services industry in Rhode Island. E-Licensing has been implemented for all banking, board of accounting, commercial licensing, design professionals, insurance, racing and athletic, and securities credentials offered by the Department. As the much of the administrative responsibilities of licensing are transferred to the e-licensing system, the Department will continue shifting human resources to fill other needs within the Department. The Department is currently creating IT systems that will measure licensing times and percentage completion rates. The Department aims to switch over to these metrics from the current manually-tracked metrics by July 2014.

CENTRAL MANAGEMENT

Central Management is composed of the Director's office, budget, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal services to the Director and Deputy Directors; compiling, submitting and monitoring the budgets of the respective divisions; approving vouchers and contracts; and providing management services. The Budget includes 9.0 FTE positions in FY2014 and FY2015 for the program, unchanged from the FY2014 enacted levels.

Central Management	General Revenue
FY2014 Enacted	\$1,197,671
<i>Target and Other Adjustments</i>	<i>37,278</i>
FY2015 Governor	\$1,234,949

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations. The Budget includes 15.0 FTE positions in FY2014 and FY2015 for the program, a reduction of 1.0 FTE position from the Budget as Enacted.

Banking Regulation	General Revenue
FY2014 Enacted	\$1,715,225
<i>Target and Other Adjustments</i>	<i>112,768</i>
Personnel	(313,733)
FY2015 Governor	\$1,514,260

Personnel **(\$313,733)**

The Governor decreases personnel funding by \$313,733, primarily due to turnover of 2.0 FTE bank examiner positions and a shift of 1.0 FTE Systems Analyst position from the Banking Regulation division to the Securities Regulation division.

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives. The Budget funds 10.0 FTE positions in both FY2014 and FY2015 for the program, an increase of 1.0 FTE position from the Budget as Enacted.

Securities Regulation	General Revenue
FY2014 Enacted	\$980,090
<i>Target and Other Adjustments</i>	<i>(13,692)</i>
Personnel	43,253
FY2015 Governor	\$1,009,651

Personnel **\$43,253**

The Governor increases personnel by \$43,253 due to the transfer of 1.0 FTE Systems Analyst position from the Banking Regulation program to the Securities Regulation program for work associated with the Department's CAVU online licensing system. The increase is partially offset by the vacancy of 1.0 FTE position Licensing Aide.

INSURANCE REGULATION

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

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

Insurance Regulation	General Revenue
FY2014 Enacted	\$3,767,883
<i>Target and Other Adjustments</i>	<i>115,355</i>
FY2015 Governor	\$3,883,238

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees, and issues initial certificates and permits to regulated businesses, occupations and professions. The Board of Accountancy is 100.0 percent financed with general revenues. The Budget eliminates the sole FTE Administrative Aide position for the program, 1.0 FTE less than the Budget as Enacted.

Board of Accountancy	General Revenue
FY2014 Enacted	\$81,034
<i>Target and Other Adjustments</i>	
Licensing Aide Position	(64,380)
FY2015 Governor	\$16,654

Licensing Aide Position (\$64,380)

The Governor decreases personnel funding by \$64,380 for 1.0 FTE position Administrative Aide that has been vacant since FY2013. The Board will continue to formulate or explain new legislation or interpret and explain existing law as necessitated by changes in the AICPA Code of Ethics, which is incorporated into the Accountancy Statute; however, the responsibilities of the 1.0 FTE position have been shifted to other programs in the Department. The remaining funds in the program support operating costs, such as national CPA Society dues, legal expenses, and printing and mailings.

COMMERCIAL LICENSING, RACING AND ATHLETICS

Commercial Licensing, Racing and Athletics licenses and regulates various occupations, businesses, and professions, including simulcast wagering at the Twin River and Newport Grand facilities, real estate agents, brokers and appraisers, auto body and salvage re-builder shops, auto wrecking and salvage yards, glass installation, and breweries. The Division provides application and licensing information to the general public and investigates complaints in all areas of licensing.

The Budget includes 12.0 FTE positions in FY2014 and FY2015, an increase of 1.0 FTE position from the FY2014 Budget as Enacted.

Commercial Licensing Racing & Athletics	General Revenue
FY2014 Enacted	\$707,941
<i>Target and Other Adjustments</i>	<i>(49,548)</i>
Turnover	(71,445)
FY2015 Governor	\$586,948

Commercial Licensing Racing and Athletics	Other Fund Changes
Pari-Mutual Operations Specialist	\$77,280
Turnover	(\$71,445)

The Governor recommends \$71,445 in turnover savings for 1.0 FTE licensing aide position.

Pari-Mutual Operations Specialist (restricted receipts) **\$77,280**

The Governor recommends an increase of \$77,280 for 1.0 new FTE position for a Pari-Mutual Operations Specialist funded through restricted receipts. Salary and benefits associated with this position are paid by the Division of Lottery. The role of this new position will be to license dealers, floor supervisors, and shift managers at Twin River and Newport Grand.

DESIGN PROFESSIONALS

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

The Budget includes 2.0 FTE positions in FY2014 and 2.0 FTE positions in FY2015 for the program, consistent with the Budget as Enacted

Design Professionals	General Revenue
FY2014 Enacted	\$253,854
<i>Target and Other Adjustments</i>	<i>6,781</i>
FY2015 Governor	\$260,635

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the State of Rhode Island. Through FY2011, this sub-program was contained in the Insurance Regulation program; however it became a stand-alone program in the FY2012 Budget as Enacted.

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance and financial and market condition examinations. The division is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

The Budget includes 13.0 FTE positions in both FY2014 and FY2015 for the Office, an increase of 4.0 FTE positions from the Budget as Enacted.

Office of Health Insurance Commissioner	General Revenue
FY2014 Enacted	\$542,180

<i>Target and Other Adjustments</i>	<i>(35,038)</i>
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FY2015 Governor	\$507,142
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Office of Health Insurance Commissioner	Other Fund Changes
Rate Review Cycle III Grant	\$1,092,131

Rate Review Cycle III Grant (federal funds) ***\$1.1 million***

The Governor recommends a federal funds increase of \$1.1 million for the Rate Review Cycle III Grant for 4.0 FTE term-limited positions: 1.0 FTE Business Manager, 1.0 FTE Delivery System Analyst, 1.0 FTE Healthcare Reform Specialist, and 1.0 FTE Informatics Manager. The grant is intended to establish an effective health insurance rate review program and to develop data centers that provide pricing data to consumers. The grant expires on December 31, 2015.

Department of Labor and Training

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.6	\$1.2	\$2.0	\$0.8	66.7%	\$2.4	\$1.2	100.0%
Income Support	613.2	545.5	529.9	(15.6)	-2.9%	462.3	(83.2)	-15.3%
Injured Workers Services	8.0	9.1	8.9	(0.2)	-2.2%	9.0	(0.1)	-1.1%
Labor Relations Board	0.4	0.4	0.4	-	0.0%	0.4	-	0.0%
Workforce Development Services	26.6	33.3	43.7	10.4	31.2%	34.0	0.7	2.1%
Workforce Regulation and Safety	3.0	3.0	3.0	-	0.0%	2.7	(0.3)	-10.0%
Total	\$651.8	\$592.5	\$587.9	(\$4.6)	-0.8%	\$510.8	(\$81.7)	-13.8%
Expenditures by Source								
General Revenue	\$7.7	\$9.1	\$9.0	(\$0.1)	-1.1%	\$9.2	\$0.1	1.1%
Federal Funds	151.0	95.7	99.1	3.4	3.6%	42.2	(53.5)	-55.9%
Restricted Receipts	36.7	43.1	55.2	12.1	28.1%	40.2	(2.9)	-6.7%
Other Funds	456.4	444.6	424.6	(20.0)	-4.5%	419.2	(25.4)	-5.7%
Total	\$651.8	\$592.5	\$587.9	(\$4.6)	-0.8%	\$510.8	(\$81.7)	-13.8%
Authorized FTE Levels	423.0	392.0	410.0	18.0	4.6%	410.0	18.0	4.6%

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

The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Workforce Development Services, Workforce Regulation and Safety, Income Support, Injured Workers Services, and the Labor Relations Board.

MAJOR ISSUES AND TRENDS FOR FY2015

The outstanding principal balance of the Federal Unemployment Account (FUA) borrowing is \$113.7 million as of January 3, 2014, down \$88.1 million from the balance stated on January 3, 2013. The Department projects that the loan will be paid in full by November 10, 2014.

The Governor proposes Article 11 in the FY2015 Budget to revise state law to give the General Assembly the option to appropriate any remaining restricted receipt funds that are not required to pay any principal or interest payments on the federal loans, to support the costs associated with the Department's Unemployment Insurance Modernization project, a new Unemployment Insurance computer system. Although the Governor does not include an expenditure of these funds in the FY2015 Budget, the Budget Office projects that \$13.0 million in restricted receipts may become available after the repayment of the federal loans.

Since 2009, the General Assembly has monitored the Department's processing of claimant queries and unemployment insurance benefits in a timely manner. On January 20, 2009, the Department had in excess of 10,000 internet filed claims, 1,800 individuals awaiting a return telephone call, almost 1,700 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time exceeding 75 minutes. As of February 19, 2014, the Department had 2,607 pending internet filed claims, 6,588 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time of 35 minutes.

The Governor recommends 410.0 FTE positions in FY2014 and FY2015, 18.0 FTE positions more than the FY2014 Budget as Enacted, reflecting an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance Program, 7.0 FTE positions for the Unemployment Insurance Call Center, 3.0 FTE positions to administer the Back to Work RI program, and 1.0 FTE Medical Records Technician position in the Injured Workers Services program.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Governor recommends 2.5 FTE positions in FY2014 and in FY2015, consistent with the enacted level.

Central Management	General Revenue
FY2014 Enacted	\$118,760
<hr/>	
<i>Target and Other Adjustments</i>	<i>(25,399)</i>
FY2015 Governor	\$93,361

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance (TDI), and the Police and Firefighters' Relief Funds. The Governor recommends 209.2 FTE positions in FY2014 (an increase of 15.0 FTE positions from the FY2014 Budget as Enacted) and 211.5 FTE positions in FY2015 (an increase of 17.3 FTE positions). The Department will use TDI, UI, and Tardy and Interest funds to support the added positions.

Income Support	General Revenue
FY2014 Enacted	\$4,299,157
<hr/>	
<i>Target and Other Adjustments</i>	<i>18,252</i>
FY2015 Governor	\$4,317,409

Income Support	Other Fund Changes
Employment Security Trust Funds - Assistance and Grants	(55,614,809)
UI Trust Fund Principal and Interest Payment	(17,500,000)
Employment Security Trust Funds - Assistance and Grants	(8,209,000)
Unemployment Insurance Modernization Project	Informational
Unemployment Insurance Payment Backlog	Informational

Employment Security Trust Fund – Assistance and Grants (federal funds) (\$55.6 million)

The Governor recommends a \$55.6 million reduction in expenditures from the Employment Security Trust Fund as compared to the FY2014 Budget as Enacted, reflecting the expiration of the federal Extended Unemployment Compensation funds.

UI Trust Fund Interest Payment (other funds) (\$17.5 million)

The Governor recommends a decrease of \$17.5 million in other funds for the payment of principal and interest on the Federal Unemployment Administration (FUA) loans from the federal government that were used to maintain the solvency of the state's Unemployment Trust Fund. The FY2014 Budget as Enacted included \$22.5 million for the loan payment (\$15.0 million principal and \$7.5 million interest). The Governor recommends a payment of \$5.0 million in the FY2015 Budget, reflecting a decrease of \$17.5 million. The loan payment is derived from a portion of the 0.51 percent Job Development Assessment. The reduction anticipates the loans will be paid off in November 2014.

Title XII of the federal Social Security Act allows states to borrow from the Federal Unemployment Account (FUA) in the event of insufficient State Unemployment Trust Fund reserves. The Rhode Island Unemployment Trust Fund has been insolvent since March 2009 as Unemployment Insurance (UI) benefit payments have outpaced employer UI contributions. The outstanding principal balance of the FUA borrowing is \$113.7 million as of January 3, 2014, down \$88.1 million from the balance stated on January 3, 2013.

As illustrated in the following table, the top 5 states with the most outstanding loans have outstanding principal balances of \$17.8 billion, or 85.0 percent, of the outstanding funds borrowed from FUA. In comparison, the total borrowing of the states and territory, including Rhode Island, with the lowest outstanding principal balances is \$530.1 million (2.6 percent) of FUA funds borrowed.

State	Reported January 7, 2014			Reported January 3, 2013		Change in Loan Balance	Change in Unemployment Rate
	FUA UI Trust Fund Loans	% of Total Borrowed	Unemployment Rate	FUA UI Trust Fund Loans	Unemployment Rate		
California	\$9,837.7	47.1%	8.5%	\$10,349.7	9.8%	(\$512.0)	-1.3%
New York	3,132.8	15.0%	7.4%	3,514.3	8.2%	(381.5)	-0.8%
North Carolina	1,843.6	8.8%	7.4%	2,562.5	9.4%	(718.9)	-2.0%
Ohio	1,552.3	7.4%	7.4%	1,739.3	6.7%	(187.0)	0.7%
Indiana	1,397.3	6.7%	7.3%	1,768.5	8.3%	(371.2)	-1.0%
Kentucky	647.1	3.1%	8.2%	837.7	8.0%	(190.6)	0.2%
Connecticut	573.7	2.7%	7.6%	631.5	8.2%	(57.8)	-0.6%
South Carolina	456.5	2.2%	7.1%	675.6	8.6%	(219.1)	-1.5%
Wisconsin	420.0	2.0%	6.3%	864.2	6.7%	(444.2)	-0.4%
Missouri	321.6	1.5%	6.1%	569.2	6.6%	(247.6)	-0.5%
New Jersey	195.4	0.9%	7.8%	962.3	9.5%	(766.9)	-1.7%
Georgia	145.3	0.7%	7.7%	540.5	8.7%	(395.2)	-1.0%
Arkansas	117.4	0.6%	7.5%	234.4	7.1%	(117.0)	0.4%
Rhode Island	113.7	0.5%	9.0%	199.8	9.9%	(86.1)	-0.9%
Virgin Islands	82.3	0.4%	not listed	54.7	not listed	27.6	not listed
Delaware	71.4	0.3%	6.5%	76.4	7.1%	(5.0)	-0.6%
Total	\$20,908.1	100.0%		\$25,580.6		(\$4,672.5)	

\$ in millions.

Source: US Bureau of Labor Statistics, Loans as of January 7, 2014

Unemployment rates as of November 2013

Employment Security Trust Fund – Assistance and Grants (other funds)

(\$8.2 million)

The Governor recommends an \$8.2 million decrease in net expenditures from the Employment Security Trust Fund as compared to the FY2014 Budget as Enacted. The Governor's recommendation reflects a \$33.2 million decrease in unemployment insurance (UI) benefit payments primarily due to the expiration of federal funding for emergency unemployment compensation benefits and lower benefit payments as projected by the Department's Labor Market Information office. Other adjustments include an increase of \$25.0 million in Temporary Disability Insurance (TDI) payments, of which \$20.0 million is new funding for TDI Caregiver benefits enacted in 2013.

Unemployment Insurance Modernization Project

Informational

Through Article 11 of the proposed FY2015 Budget, the Governor recommends revising state law to give the General Assembly the option to appropriate any remaining restricted receipt funds that are not required to pay any principal or interest payments on the federal loans, to support the costs associated with the Department's Unemployment Insurance Modernization project, a new Unemployment Insurance computer system. The State is collaborating with the Maine and Mississippi in the development of a new Unemployment Insurance computer system. The Department anticipates the new computer system will be operational in 3 to 5 years.

In FY2011, the Job Development Assessment was temporary raised to 0.51 percent. The purpose of the increase was to fund the principal and interest payments due on the state's Federal Unemployment Account (FUA) loans. The Department projects that the FUA loan balance will be paid in full by November 10, 2014. Currently, any funds remaining in the

Job Development Assessment

Permanent	Rate	Revenue
GWBRI/HRIC Program Allocation	0.19%	\$12.0
Core Services	0.02%	1.3
	0.21%	\$13.3
Temporary		
Federal FUA Loan Repayment	0.30%	18.7
Total	0.51%	\$32.0

\$ in millions.

restricted receipt account that were raised solely through the 0.30 percent temporary assessment must, by state law, be deposited into the State's Employment Trust Fund. Funds deposited into the Trust Fund are, by federal law, limited to only pay unemployment benefits.

Passage of this article would authorize the use of any balance in the restricted receipt account to fund the Department of Labor and Training's (DLT) Unemployment Insurance Modernization Project.

Unemployment Insurance Payment Backlog

Informational

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

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

The legislation also requires the Department to file a weekly status report with the Legislature. The following table illustrates the current claims reported by the Department on February 19, 2014, in comparison to the amounts reported approximately the same period over the last two years by the Department as well illustrating the historical peak and low periods:

Issue	Reported as of	19-Feb-14	20-Feb-13	1-Mar-12	Peak		Low	
	Status	Status	Status	Status	Status	Date	Status	Date
Pending Internet claims	2,607	3,788	587	10,945	February 4, 2009	10	October 20, 2010	
Pending telephone responses ¹	N/A	N/A	149	2,617	September 26, 2012	0	September 29, 2010	
Average call wait time (in minutes)	35	42	31	78	March 18, 2009	13	October 27, 2010	
Pending email responses ²	6,588	3,528	115	5,170	January 23, 2013	5	September 22, 2010	
Individuals receiving UI benefits	14,255	21,432	32,269	39,168	March 17, 2010	16,925	October 31, 2012	
Individuals eligible and waiting to receive	1,071	1,111	1,305	2,536	March 18, 2009	108	July 8, 2009	

Source: Department of Labor and Training

¹ Reporting on this statistic ceased October 31, 2012

² Reporting on this statistic ceased January 30, 2013

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

	Peak				
	1/28/2009	1/23 - 1/29	1/30 - 2/5	2/6 - 2/12	2/13 - 2/19
Individuals Receiving Benefits					
Unemployment Insurance	16,852	13,275	13,493	14,259	14,206
Emergency Unemployment Compensation 1	4,581	45	20	25	17
Emergency Unemployment Compensation 2	4,225	44	20	25	19
Emergency Unemployment Compensation 3	-	23	12	10	3
Emergency Unemployment Compensation 4	-	33	16	11	10
Extended Benefits	1	-	-	-	-
Total	25,659	13,420	13,561	14,330	14,255
Total Claims Paid (\$ in millions)		\$5.5	\$5.7	\$5.8	\$5.7
Eligible in Waiting Period	839	1,615	1,254	1,488	1,071
Pending Internet Claims	10,874	3,765	2,914	2,088	2,607
Internet Claims Received	-	1,715	1,319	1,236	2,687
Internet Claims Processed	-	2,834	2,170	2,062	2,168
Return Calls/All Sources	1,809	-	-	-	-
UI Calls/All Sources Received	-	-	-	-	-
UI Calls/All Sources Processed	-	-	-	-	-
UI HELP Emails to Return	1,694	7,981	7,429	7,191	6,588
UI HELP Emails Received	-	1,426	1,033	1,253	813
UI HELP Emails Processed	-	548	1,585	1,491	1,416
Average Call Wait (minutes)	N/A	46	48	38	35

Source: Department of Labor and Training

INJURED WORKERS SERVICES

The Injured Workers Services program operates the state's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. The Governor recommends 41.1 FTE positions in FY2014 and 42.1 FTE positions in FY2015, reflecting the hiring of a Medical Records Technician.

Injured Workers Services	Other Fund Changes
FY2014 Enacted	\$9,139,647
<i>Target and Other Adjustments</i>	<i>(16,931)</i>
Professional Services Changes	(177,496)
Personnel	162,153
Operating	(156,001)
FY2015 Governor	\$8,951,372
Contracted Professional Services (restricted receipts)	(\$177,496)

The Governor recommends a decrease of \$177,496 in restricted receipts for contracted purchased services reflecting a decrease of \$130,599 for information technology programming services due to lower maintenance costs associated with implementing the new Workers' Compensation System, a decrease of

\$34,084 for medical services due to projected decrease in client caseload, and a net decrease of \$12,813 in other contract service adjustments.

Personnel (restricted receipts) \$162,153

The Governor adds \$162,153 in restricted receipts for increased personnel expenses, of which \$84,500 reflects the salary and benefit expenses of a new 1.0 Medical Records Technician hired in October 2013 for this program.

Operating Adjustments (restricted receipts) (\$156,001)

The Governor recommends a decrease of \$156,001 in restricted receipts for operating adjustments reflecting a reduction of \$66,529 due to lower than expected costs for software maintenance agreements, a reduction of \$45,898 for lower professional insurance, a reduction of \$32,809 for miscellaneous (unspecified) expenses, and a net decrease of \$10,765 in other operating expenses.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees. The Governor recommends 2.0 FTE positions in FY2014 and FY2015, consistent with the enacted level. The two positions provide staff support to the Board.

Labor Relations Board	General Revenue
FY2014 Enacted	\$393,736
<i>Target and Other Adjustments</i>	<i>(5,088)</i>
FY2015 Governor	\$388,648

WORKFORCE DEVELOPMENT SERVICES

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

The Governor recommends 126.6 FTE positions in FY2014 and in FY2015 (an increase of 4.1 FTE positions from the FY2014 Budget as Enacted), reflecting an increase of 3.0 FTE position to support the Back to Work RI program and an increase of 3.0 FTE positions to administer the Workforce Innovation Fund program, offset by a decrease of 1.9 FTE positions for cost allocations between programs in the Department.

Workforce Development Services	General Revenue
FY2014 Enacted	\$1,250,000
<i>Target and Other Adjustments</i>	-
Workforce Development Initiative	411,269
FY2015 Governor	\$1,661,269

Workforce Development Services	Other Fund Changes
Workforce Assistance Grants	1,217,837
Governor's Workforce Board	(579,980)
Workforce Innovation Fund	75,000

Workforce Development Initiative**\$411,269**

The Governor adds \$411,269, of which \$245,093 reflects an increase in personnel costs for 3.0 FTE positions to administer the Workforce Development Initiative and an increase of \$166,176 for Workforce Development Initiative grants. The Governor's recommendation increases the total general revenue appropriation to \$1.7 million.

The Workforce Development Initiative was established in the FY2014 Budget as Enacted. The General Assembly included \$1.3 million in general revenue to establish a Statewide Work Immersion program and a Non-trade Apprenticeship program, to be administered by the Human Resource Investment Council in partnership with the Governor's Workforce Board. The appropriation did not include funding for staff. As of February 14, 2014, 69 individuals and 43 companies are participating in this program.

Statewide Work Immersion Program	Number of Participants	Number of Companies	Contract Totals
College Students	61	36	\$70,306
Unemployed	8	7	10,600
Total	69	43	\$80,906

Source: Department of Labor and Training

Two awards have been made for the development of Non-Trade Apprenticeship program. The awards as of February 14, 2014, are \$65,323 to the Rhode Island Manufacturers Extension Services to train Computer Numerically Controlled (CNC) machinists and \$71,475 to Building Futures for apprenticeships involving construction managers and cost estimators.

In addition, the FY2014 Budget established the Back to Work Rhode Island Program designed to match unemployed individuals and employers in a job training program, enhance child care to families participating in job training programs, and required the Department of Labor and Training to implement an enhanced job match system to increase opportunities for employers to match job needs to the unemployed. As of February 14, 2014, 58 individuals and 16 employers are interested or participating in the Back to Work Rhode Island Program.

Back to Work RI

Participants Status	
31	Individuals are interested in participating in the program
21	Individuals are participating in the program
4	Trainees were hired
1	Trainee begins training at a title processor
1	Trainee to begin training at an art museum
58	Total
9	Employers are interested in the program
7	Employers are participating in the program

Source: Department of Labor and Training

Workforce Assistance Grants (federal funds)**\$1.2 million**

The Governor increases Workforce Development Services assistance and grants by \$1.2 million, reflecting multiple changes across many of the federally funded training programs such as the Dislocated Workers Program, Hurricane Sandy workforce training funds, and other programs under the federal Workforce Investment Act (WIA).

Governor's Workforce Board (restricted receipts)**(\$579,980)**

The Governor decreases the Human Resource Investment Council (HRIC) – Phase II program by \$579,980, reflecting the Governor's Workforce Board's lower projection on the amount of workforce

training awards the Board will issue in FY2015. The Board administers multiple grant recipient programs to employers to conduct skills training, to make businesses more efficient or competitive, or to assist a company to expand services.

Workforce Innovation Fund (other funds)

\$75,000

The Governor adds \$75,000, reflecting the receipt of a \$100,000 grant from the Rhode Island Foundation for workforce training. According to the Department, the award is to be used to assist individuals who are not eligible to participate in any other workforce training program. The Governor includes \$25,000 from this grant award in the recommended FY2014 Revised Budget.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Governor recommends 27.6 FTE positions in FY2014 (a decrease of 1.8 FTE positions from FY2014) and 25.3 FTE positions in FY2015 (a decrease of 4.1 FTE positions from FY2014), reflecting changes in the FTE cost allocation between programs in the Department.

Workforce Regulation and Safety	General Revenue
FY2014 Enacted	\$3,002,408
<i>Target and Other Adjustments</i>	<i>13,728</i>
Personnel	(295,220)
FY2015 Governor	\$2,720,916
Personnel	(\$295,220)

The Governor decreases salary and benefit expenditures by \$295,220 in general revenues, reflecting additional projected personnel turnover savings (9.0 percent of total salaries) and increases in the FTE cost allocation to other programs (9.0 FTE positions).

CAPITAL PROJECTS

The Governor recommends a total of \$8.1 million in capital projects between FY2014 and FY2018, \$7.3 million of which is funded with RICAP funds. The projects include:

- \$2.1 million (\$505,996 in RICAP funds) in FY2015 to complete the replacement of slate roofs on buildings 68, 69, and 71, housing both the Department of Labor and Training and the Department of Business Regulation.
- \$6.0 million in RICAP funds for the Center General Asset Protection plan. The plan is comprised of 13 projects that address deficiencies throughout buildings housing both the Department of Labor and Training and the Department of Business Regulation. Projects include design and engineering work involving the roof on building 72 and work to address water penetration through the buildings' foundations. The Governor again recommends a "lump sum" appropriation for each year, allowing the Department to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Director of Revenue	\$0.9	\$1.2	\$1.1	(\$0.1)	-9.1%	\$1.1	(\$0.1)	-8.2%
Lottery Division	249.2	245.5	335.1	89.6	36.5%	342.3	96.9	39.5%
Municipal Finance	2.2	2.4	2.0	(0.3)	-13.9%	2.0	(0.4)	-15.1%
Office of Revenue Analysis	0.5	0.5	0.5	(0.0)	-1.6%	0.6	0.0	6.7%
Division of Motor Vehicles	18.3	20.8	24.2	3.4	13.9%	20.9	0.1	0.5%
State Aid	57.2	61.9	61.8	(0.1)	-0.2%	62.0	0.1	0.1%
Taxation	20.5	21.1	20.7	(0.4)	-1.8%	21.6	0.5	2.4%
Total	\$348.7	\$353.4	\$445.5	\$92.1	20.7%	\$450.6	\$97.1	27.5%
Expenditures by Source								
General Revenue	\$94.8	\$102.0	\$101.2	(\$0.9)	-0.8%	\$102.5	\$0.5	0.5%
Federal Funds	2.0	3.0	4.0	1.0	31.6%	2.9	(0.1)	-3.3%
Restricted Receipts	1.7	1.8	4.0	2.2	54.2%	1.8	(0.0)	-0.4%
Other Funds	250.3	246.6	336.4	89.8	36.4%	343.3	96.7	39.2%
Total	\$348.7	\$353.4	\$445.5	\$92.1	20.7%	\$450.6	\$97.1	27.5%
Authorized FTE Levels	489.0	492.0	492.0	-	-	499.0	7.0	1.4%

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

The Department of Revenue (DOR) was created as a separate department within the executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has seven program functions consisting of the Director's Office, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis, the Registry of Motor Vehicles, the Division of Taxation, and the State Aid program.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget increases general revenue expenditures to \$102.5 million, an increase of \$481,064 over the FY2014 Budget as Enacted. An increase of \$96.7 million in other funds is due to increases in Lottery commissions and prize payments. The FY2014 Budget as Enacted did not include commissions and prize expenditures for Casino Operations, which are estimated to be \$72.1 million for FY2015. The Division of Lottery began table gaming at the Twin River Casino on July 1, 2013.

The Division of Motor Vehicles (DMV) has indicated that the Rhode Island Motor Vehicle System (RIMS) contract has an implementation date of May 2014 and has developed a staffing plan for the testing and training periods leading up to the implementation of the software. The Governor increases general revenue by \$342,385 for additional personnel as large groups of employees will be taken away from regular duties during the training process.

The Governor adds \$733,010 in general revenue for 10.0 FTE new Revenue Officer 1 positions to support the Division's expanded enforcement activities. Each of these positions will generate approximately \$900,000 per year in collections from personal income taxes, business taxes, sales and excise taxes, and fines and penalties. Article 12 increases revenue collections by \$8.4 million for this initiative.

Article 2 proposes \$5.0 million for the Municipal Incentive Aid program in FY2015, which provides additional state aid to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. In FY2014, \$5.0 million was allocated to the program and current law increases program funding to \$10.0 million in FY2015. The program is managed by the Division of Municipal Finance within the Department of Revenue.

DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue. The Budget includes 9.0 FTE positions in FY2014 and FY2015, an increase of 0.7 FTE from the Budget as Enacted.

Director of Revenue	General Revenue
FY2014 Enacted	\$1,222,847
<i>Target and Other Adjustments</i>	<i>(39,493)</i>
Turnover	(61,254)
FY2015 Governor	\$1,122,100
Turnover	(\$61,254)

The Budget includes turnover savings of \$61,254 for one Senior Auditor position, which will remain vacant for most of FY2015.

LOTTERY DIVISION

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, and instant games (scratch tickets), multi-state pool games (PowerBall, MegaMillions), and Lucky 4 Life regional game, and the authorization and licensing of video lottery terminals (VLTs) at Twin River and Newport Grand. No general revenues support the Division: it is entirely funded with other funds derived from Lottery sales.

The Budget includes 84.0 FTE positions in FY2014 and FY2015, 0.7 FTE less than the Budget as Enacted.

Lottery Division	Other Fund Changes
FY2014 Enacted	\$245,451,858
<i>Target and Other Adjustments</i>	<i>(378,536)</i>
Commissions and Prize Payments	97,132,980
Problem Gambling Program	100,000
FY2015 Governor	\$342,306,302
Commissions and Prize Payments (other funds)	\$97.1 million

The Budget includes an increase of \$97.1 million for Commissions and Prize payments that were not included in the FY2014 Budget as Enacted. The Office of Revenue Analysis estimates \$72.2 million for commissions and prize expenditures at Twin River and Newport Grand for FY2015 based on the results of the November 2013 Revenue Estimating Conference. The Governor recommends an additional \$24.7 million in other funds for traditional Lottery operations and prize payments.

Problem Gambling Program (other funds) \$100,000

The FY2015 Budget includes \$100,000 programs for compulsive and problem gamblers. The 2013 General Assembly passed legislation requiring Twin River and Newport Grand to reimburse the State annually, an amount no less than \$100,000, for compulsive and problem gambling programs to be established by the Division. The program will offer telephone helpline services through an agreement with the United Way of Rhode Island. The Lottery has been voluntarily offering this service since 1998. This amount is also included in the Governor's FY2014 Supplemental Budget recommendation.

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis, technical assistance, and training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and state aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets vehicle values that are subject to the motor vehicle excise tax.

The Division has played a pivotal role in managing the Receivership of the City of Central Falls, and an increasing number of communities are requiring State assistance to navigate fiscal challenges. Both the City of Woonsocket and the City of East Providence have budget commissions.

The Budget includes 17.0 FTE positions in FY2014 and FY2015, consistent with the FY2014 enacted level.

Municipal Finance	General Revenue
FY2014 Enacted	\$2,351,173
<i>Target and Other Adjustments</i>	<i>(137,721)</i>
Reimbursement for State Oversight	130,540
Blue Book Publication	3,000
Legal Services - Distressed Communities	(150,000)
Actuarial Contract Services	(200,000)
FY2015 Governor	\$1,996,992

Reimbursement for State Oversight **\$130,540**

The Governor includes \$130,540 for reimbursement of the cost of a financial advisor appointed by the Director of Revenue to municipalities that are no longer in receivership. Under the State Fiscal Stability Act, the State must reimburse communities 50.0 percent of the cost of ongoing oversight for municipalities exiting receivership and is responsible for the overall budgetary and financial administration of the city or town. Both Central Falls and East Providence will incur costs under this statute in FY2014 and FY2015.

Blue Book Publication **\$3,000**

Every odd fiscal year, the Division of Municipal Finance publishes the “Blue Book” that serves as a print directory of all names, functions, and contact information by municipality at a cost of \$3,000. The Governor proposes eliminating the printing of publications after FY2015; instead, the information will be made available online.

Legal Services – Distressed Communities **(\$150,000)**

The Governor reduces legal expenses associated with distressed communities by \$150,000 from the FY2014 Budget as Enacted. The Department’s obligations are expected to be limited to the completion of the court case relating to the Central Falls proceedings and other matters that may be of statewide interest to protect the fiscal interests of municipalities.

Actuarial Contract Services **(\$200,000)**

The Governor reduces Actuarial Contract Services services by \$200,000 from the Budget as Enacted level, which reflects a reduction in costs for actuarial services for the Pension and OPEB Study Commission.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis analyzes the State’s tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State’s sales tax and

personal income tax models. The Budget includes 4.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Office of Revenue Analysis	General Revenue
FY2014 Enacted	\$528,721
<i>Target and Other Adjustments</i>	<i>8,113</i>
Sales and Use Tax Simulation Model Update	27,500
FY2015 Governor	\$564,334

Sales and Use Tax Simulation Model Update **\$27,500**

The Governor recommends \$27,500 for a biennial update of the Sales and Use Tax Simulation Model, which is used to forecast the impact of tax policy changes.

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some license and registration DMV services at select branch locations. The Budget includes 171.0 FTE positions in FY2014 and FY2015 for the program, an increase of 1.0 FTE position from the FY2014 Budget as Enacted.

Division of Motor Vehicles	General Revenue
FY2014 Enacted	\$18,895,421
<i>Target and Other Adjustments</i>	<i>11,094</i>
RIMS Training	342,385
New 1.0 FTE Chief of Information and Public Relations	96,249
Shared Printing Services	(68,336)
FY2015 Governor	\$19,276,813

RIMS Training **\$342,385**

The Governor includes an increase of \$342,385 to support personnel costs in the Division relating to the Rhode Island Motor Vehicle System (RIMS). The DMV has indicated that the RIMS system is scheduled to be online in May 2014 and has developed a staffing plan for the testing and training periods leading up to the implementation of the software. During the training period, large groups of employees will be taken away from regular duties for large periods of time. The Governor proposes hiring 10.0 additional FTE position customer service representatives in order to prevent wait times from reverting to past unacceptable levels. Past attrition levels suggest that staff levels at the Division will decrease after implementation is completed. The expenses for these additional positions will be partially offset by keeping 3.0 FTE existing positions vacant in FY2015.

New 1.0 FTE Chief of Information and Public Relations **\$96,249**

The Governor includes \$96,249 for 1.0 new Chief of Information and Public Relations FTE position. This position was originally part of the Governor's resource team and has been staffed by an FTE position on loan from the Governor's office.

Shared Printing Services **(\$68,336)**

The Governor includes \$68,336 in savings from reductions in maintenance and printing services, as well as a shared service with the State's Central Mailroom located at 50 Service Avenue in Warwick. The DMV will "in source" all printing and mailing of renewal notice forms through the mailroom, instead of using a third-party vendor.

STATE AID

The budget for the Department of Revenue funds a number of State Aid payments. No FTE positions are associated with the program.

State Aid	General Revenue
FY2014 Enacted	\$60,981,482
<i>Target and Other Adjustments</i>	
Property Revaluation Program	116,594
Municipal Incentive Aid	Informational
FY2015 Governor	\$61,098,076

Property Revaluation Program**\$116,594**

Municipalities are required by State law to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for funding the cost of full property revaluations; however, the State reimburses municipalities for 100.0 percent of the first statistical update, 80.0 percent (up to \$16 per parcel) for the second statistical update, and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Governor recommends an increase of \$116,594 from the FY2014 Budget as Enacted, for total funding of \$633,209 for the Property Revaluation program in FY2015. This amount fluctuates from year to year as the reimbursement amount is based on the number of properties in each community. The following communities will be performing statistical updates in FY2015: Exeter, Foster, Middletown, Narragansett, Newport, Pawtucket, and Woonsocket.

Municipal Incentive Aid**Informational**

Article 2 proposes to level fund the Municipal Incentive Aid Program at \$5.0 million, which provides additional state aid to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. In FY2014, the Governor proposed this new program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. However, there is no requirement that the state aid be spent by municipalities for this purpose. The 2013 General Assembly accepted the program and funded the first year of this program at \$5.0 million. For FY2015, the amount was scheduled to increase to \$10.0 million, however, the Governor proposes to level fund the initiative.

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

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Budget includes funding for 208.0 FTE positions in FY2014 and 215.0 FTE positions in FY2015, an increase of 7.0 FTE positions from the Budget as Enacted.

Taxation	General Revenue
FY2014 Enacted	\$18,027,851
<i>Target and Other Adjustments</i>	
Revenue Officer Positions	(187,867)
Computer Supplies & Equipment	733,010
	(142,650)
FY2015 Governor	\$18,430,344

Revenue Officer Positions

\$733,010

The Budget includes an increase of \$733,010 to hire 7.0 FTE new Revenue Officer 1 positions and funds 3.0 currently vacant FTE positions for tax enforcement proposals in Article 12. Each of these positions is estimated to generate approximately \$900,000 per year in collections from personal income taxes, business taxes, sales and excise taxes, and fines and penalties for a total of \$8.4 million in additional revenue in FY2015.

Computer Supplies and Equipment

(\$142,650)

The Budget includes a decrease of \$142,650 from the FY2014 Budget as Enacted for computer supplies and equipment based on past spending levels for these expenses.

Legislature

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Assembly	\$5.2	\$5.3	\$6.5	\$1.2	21.8%	\$5.3	(\$0.0)	-0.2%
Fiscal Advisory Staff	1.5	1.7	1.7	(0.0)	-2.0%	1.7	0.0	1.2%
Legislative Council	4.0	4.5	4.5	(0.1)	-1.3%	4.7	0.2	3.9%
Joint Comm. on Legislative Services	21.6	20.9	22.4	1.5	6.6%	21.0	0.1	0.5%
Auditor General	4.7	5.3	5.2	(0.1)	-2.2%	5.3	(0.1)	-1.0%
Special Legislative Commissions	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
Total	\$37.0	\$37.8	\$40.2	\$2.4	6.4%	\$38.0	\$0.2	0.6%
Expenditures by Source								
General Revenue	\$35.7	\$36.2	\$38.7	\$2.5	6.8%	\$36.4	\$0.2	0.7%
Restricted Receipts	1.4	1.6	1.6	(0.0)	-2.3%	1.6	(0.0)	-1.1%
Total	\$37.0	\$37.8	\$40.2	\$2.4	6.4%	\$38.0	\$0.2	0.6%
Authorized FTE Levels	298.5	298.5	298.5	-	-	298.5	-	-

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

The Rhode Island General Assembly enacts laws, develops State policy, and evaluates programs through the appropriation process. The General Assembly has six programs that assist it in executing its constitutional role.

- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
- The Legislative Council develops legislation and researches various issues for Senate and House members.
- The Joint Committee on Legislative Services is the administrative arm of the General Assembly.
- The Office of the Auditor General conducts financial reviews and evaluations of state programs and completes annual post-audits for the State.
- Special Legislative Commissions include study commissions and task forces established by the General Assembly to analyze various public policy issues.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$38.0 million for the General Assembly in FY2015, including \$36.4 million in general revenues. Restricted receipts total \$1.6 million for the Auditor General's office. These funds are derived from a 0.5 percent audit fee that assessed on all federal grants in State departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit publication to the House Finance Committee.

The FY2015 budget funds 298.5 FTE positions for FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Lieutenant Governor

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Lt. Governor's Office	\$1,243,608	\$2,095,378	\$2,675,825	\$580,447	27.7%	\$1,089,434	(\$1,005,944)	-48.0%
Expenditures by Source								
General Revenue	\$942,140	\$986,890	\$946,501	(\$40,389)	-4.1%	\$1,015,084	\$28,194	2.9%
Federal Funds	301,468	1,108,488	1,594,324	485,836	43.8%	74,350	(1,034,138)	-93.3%
Total	\$1,243,608	\$2,095,378	\$2,675,825	\$580,447	27.7%	\$1,089,434	(\$1,005,944)	-48.0%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Budget includes 8.0 FTE positions for FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2015

The Lieutenant Governor continues to chair the Rhode Island Healthcare Reform Commission, which is a group comprised of more than 100 healthcare professionals with a goal to provide accessible and affordable healthcare to all Rhode Islanders under the framework of federal healthcare reform. The Lieutenant Governor also serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair).

The Office of the Lieutenant Governor was awarded a \$1.6 million grant for contract services from the Center for Medicare and Medicaid Innovation (CMMI) State Innovation Model, which focused on healthcare payment and delivery system reform. The Office contracted with a national consulting firm, The Advisory Board Company, to provide the State with health care payment and delivery system reform expertise, project management for the CMMI design project, and actuarial and financial modeling and guidance to complete the requirements of the grant. Work from this grant began on April 1, 2013, with \$177,087 spent in FY2013. The Office anticipates to spend the balance of \$1.4 million in FY2014.

The Office's FY2015 Budget is comprised almost entirely of personnel costs. The Governor fully funds the Office's 8.0 FTE positions for the first half of the year, but eliminates the Health Policy Director position in the second half of the year due to the December 31, 2014, expiration of financing from the Exchange Establishment One Grant.

Office of the Lieutenant Governor	General Revenue
FY2014 Enacted	\$986,890
<i>Target and Other Adjustments</i>	3,194
Transition Costs	25,000
FY2015 Governor	\$1,015,084

Transition Costs **\$25,000**

The FY2015 Budget adds \$25,000 in general revenue for transition costs associated with the election of a new Lieutenant Governor in FY2015. This amount is consistent with the budget for the last general election in FY2007 in which a new Lieutenant Governor was elected.

Office of the Secretary of State

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration	\$2.0	\$2.1	\$2.2	\$0.1	6.3%	\$2.2	\$0.1	6.1%
Corporations	2.1	2.2	2.3	0.1	6.2%	2.3	0.1	5.9%
State Archives	0.6	0.6	0.6	(0.0)	-0.7%	0.6	0.0	0.4%
Elections and Civics	1.7	1.2	0.9	(0.2)	-18.4%	1.6	0.5	40.7%
State Library	0.6	0.6	0.5	(0.1)	-18.0%	0.5	(0.1)	-14.7%
Office of Public Information	0.4	0.4	0.5	0.1	27.9%	0.6	0.3	75.2%
Total	\$7.3	\$7.0	\$7.0	\$0.1	1.3%	\$7.9	\$0.9	13.1%
Expenditures by Source								
General Revenue	\$6.8	\$6.5	\$6.5	(\$0.0)	-0.3%	\$7.3	\$0.8	12.9%
Restricted Receipts	0.5	0.5	0.5	0.1	14.3%	0.5	0.1	16.4%
Total	\$7.3	\$7.0	\$7.0	\$0.1	1.3%	\$7.9	\$0.9	13.1%
Authorized FTE Levels	57.0	57.0	57.0	-	-	57.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The proposed budget for the Secretary of State has no significant new initiatives. The Governor includes \$568,022 in additional general revenue funding for the Elections and Civics division, largely to administer the November 2014 general election. The Budget also includes \$25,000 for expenses associated with transitioning a new Secretary of State and staff to the Office.

The Budget includes 57.0 FTE positions, consistent with the enacted level, in both FY2014 and FY2015. While the FTE authorization remains the same, the Budget shifts FTEs throughout several programs within the Office. The Governor's proposal includes \$86,929 in turnover for FY2015. Through the January 24, 2014, pay period, the Office has averaged 2.0 vacant FTE positions, or 3.5 percent of the authorized level, for the fiscal year.

ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs. The Budget includes 15.3 FTE positions in both FY2014 and FY2015 for the program, 1.0 FTE above the FY2014 Budget as Enacted.

Administration	General Revenue
FY2014 Enacted	\$2,078,542
Target and Other Adjustments	11,346
Personnel	90,860
Transition Costs	25,000
FY2015 Governor	\$2,205,748

Personnel **\$90,860**

The Governor recommends an increase of \$90,860 for personnel, including \$53,977 for 1.0 FTE Project Manager position shifted from the Elections and Civics program.

Transition Costs **\$25,000**

The Budget includes \$25,000 for costs associated with transitioning the new Secretary of State and staff. Historically, transition funding of General Officers has been included in each Office's respective budget during a potential transition year. These costs totaled \$21,384 during the last transitional change for the Office in 2007.

CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program. The Division also manages an online master permit application system (Quick Start) for small business start-ups. The Budget includes 22.4 FTE positions in both FY2014 and FY2015 for the Division, an increase of 2.0 FTE positions from the FY2014 Budget as Enacted, reflecting a shift from other programs within the Office.

Corporations	General Revenue
FY2014 Enacted	\$2,152,424
<i>Target and Other Adjustments</i>	<i>2,679</i>
Personnel	123,498
Quick Start Master Permit Application System	Informational
FY2015 Governor	\$2,278,601

Personnel **\$123,498**

The Governor recommends an increase of \$123,498, including an increase of \$98,018 for 2.0 FTE Administrative Assistant positions shifted from other programs within the Office.

Quick Start Master Permit Application System **Informational**

The Office of the Secretary of State implemented an online master permit application system (Quick Start) that allows individuals who are opening businesses to enter basic information one time into a permit database. Previously, applicants had to enter information in numerous forms, depending upon the type of business. The State has 307 business-related forms. The system was completed in the third quarter of FY2012. According to the Office, the system allows the user all the necessary tools and information to start a business; however, not all agencies are seamlessly integrated because some have not participated in the project.

STATE ARCHIVES

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded (88.1 percent in FY2015) with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 3.4 FTE positions in both FY2014 and FY2015 for the Division, consistent with the FY2014 Budget as Enacted.

State Archives	General Revenue
FY2014 Enacted	\$131,705
<i>Target and Other Adjustments</i>	-
Historical Records Trust	(62,439)
FY2015 Governor	\$69,266

Historical Records Trust **(\$62,439)**

The Governor uses the surplus amount in the Historical Records Trust (restricted receipts) to decrease the \$62,439 general revenue portion of the rent for the facility at the State Archives Building on 337 Westminster Street in Providence. Revenue generated from the Trust help to fund operating costs in the State Archives program. The Historical Records Trust account is funded by collecting a fee from municipalities to assist local governments with preservation of public records in their custody or care.

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year. The Budget includes a staffing level of 4.0 FTE positions in both FY2014 and FY2015 for the Division, a decrease of 3.0 FTE positions transferred to other programs within the Office.

Elections and Civics	General Revenue
FY2014 Enacted	\$1,162,821
<i>Target and Other Adjustments</i>	(5,174)
Non-Recurring Election Costs	646,550
Personnel	(167,905)
FY2015 Governor	\$1,636,292

Non-Recurring Election Costs **\$646,550**

The Governor recommends a general revenue increase of \$646,550 for expenses related to the November 2014 (FY2015) general election. The largest expenses are for printing and mailing of ballots and referenda materials. The funding estimates are based on actual costs from the November 2012 (FY2013) elections.

Election Costs	FY2013	FY2015
Ballot Printing	\$647,415	\$650,000
Elections Mailing	27,000	45,000
Referenda Printing	77,077	65,000
Referenda Mailing	33,955	45,000
Legal Costs	23,323	25,000
Total	\$808,770	\$830,000

Personnel **(\$167,905)**

The Governor decreases general revenue by \$167,905 for the transfer of 2.0 FTE Project Manager positions (\$115,462) and 1.0 FTE Administrative Assistant (\$52,443) to other programs within the Office.

STATE LIBRARY

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse. The Budget includes 3.0 FTE positions in both FY2014

and FY2015 for the Library, a decrease of 1.0 FTE position transferred to another program within the Office.

State Library	General Revenue
FY2014 Enacted	\$611,318
<i>Target and Other Adjustments</i>	<i>(90,140)</i>
FY2015 Governor	\$521,178

OFFICE OF PUBLIC INFORMATION

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions. The Budget includes 4.0 FTE positions in both FY2014 and FY2015 for the Office, an increase of 1.0 FTE position transferred from another program within the Office.

Office of Public Information	General Revenue
FY2014 Enacted	\$361,023
<i>Target and Other Adjustments</i>	<i>14,045</i>
Personnel	127,050
Rules and Regulations Database	100,000
Lobby Tracker Module	24,000
State House Visitor's Center & Gift Shop	Informational
FY2015 Governor	\$626,118

Personnel **\$127,050**

The Budget increases \$124,000 for personnel costs, including \$61,485 for the addition of 1.0 FTE Deputy Director of Public Information position, which shifted from a 1.0 Project Manager FTE in the Elections and Civics Division.

Rules and Regulations Database **\$100,000**

The Governor recommends \$100,000 for a new Rules and Regulations Database, which contains proposed and final rules and regulations that are filed by state agencies, boards and commissions. The database can be found on the Secretary of State's website and contains all regulations filed since January 2002.

Lobby Tracker Module **\$24,000**

The Governor recommends an increase of \$24,000 for the implementation of the Lobby Tracker Module. State law requires Legislative and Executive Branch lobbyists, lobbying firms and their clients to register with the Office and to report a variety of data regarding their activities. The Lobby Tracker program will track all legislation, bills, compensation for lobbyists, expenses, and contributions.

State House Visitor's Center & Gift Shop (restricted receipts) **Informational**

In 2012, the Governor signed into law the establishment of a visitor's center in the State House and authorized the Secretary of State to create a restricted receipt account. The Secretary of State created the account, but did not receive any funds initially. The 2013 General Assembly allocated \$5,000 of general revenue to begin the fund. All revenue generated from the visitor center and souvenir shop is deposited into an approved restricted receipt revolving fund, which is used to defray the cost of visitor center staffing and to purchase inventory, fixtures, and supplies.

According to estimates from the Secretary of State, the State House attracts about 10,000 visitors each year. The Office, on average, conducts approximately 400 tours annually. The new visitor center will

serve as a starting point for those tours, with the prospect of a self-guided tour in the future. The Governor proposes an additional \$15,000 in restricted receipts to replenish inventory in FY2015 for this program. The Center officially opened on December 5, 2013, and has accrued \$4,245 in receipts to date.

RECORDS CENTER

The Records Center is an internal service program funded with internal service funds: no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency. The Budget includes 4.9 FTE positions in both FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Office of the General Treasurer

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Treasury	\$2.7	\$3.0	\$2.9	(\$0.1)	-3.3%	2.8	(0.2)	-6.7%
Employees' Retirement System	6.9	11.7	11.1	(0.6)	-5.1%	10.8	(0.9)	-7.7%
Unclaimed Property	31.2	18.6	23.2	4.6	24.7%	19.5	0.9	4.8%
Crime Victims Compensation Program	1.9	2.1	1.9	(0.2)	-9.5%	\$2.0	(\$0.1)	-4.8%
Total	\$42.7	\$35.4	\$39.1	\$3.7	10.5%	\$35.1	(\$0.3)	-0.8%
Expenditures by Source								
General Revenue	\$2.5	\$2.7	\$2.6	(\$0.1)	-3.7%	\$2.5	(\$0.2)	-7.4%
Federal Funds	1.0	1.1	0.8	(0.3)	-27.3%	0.9	(0.2)	-18.2%
Restricted Receipts	39.0	31.4	35.5	4.1	13.1%	31.5	0.1	0.3%
Other Funds	0.2	0.2	0.2	-	0.0%	0.2	-	-
Total	\$42.7	\$35.4	\$39.1	\$3.7	10.5%	\$35.1	(\$0.3)	-0.8%
Authorized FTE Levels	82.0	83.0	83.0	-	-	83.0	-	-

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

The Rhode Island Constitution establishes the Office of the General Treasurer, one of five general offices subject to voter election. The General Treasurer is charged with the safe and prudent management of the State's finances. The Treasury budget includes Treasury operations, the Employees' Retirement System of Rhode Island, the Unclaimed Property program, and the Crime Victims Compensation program. Treasury also manages the Abraham Touro Fund and the Childhood Disease Fund. The General Treasurer operations, excluding the State House office, are located at the state-owned building at 50 Service Road, Warwick.

MAJOR ISSUES AND TRENDS FOR FY2015

The replacement of the Retirement System's antiquated Anchor computer system will take two years to complete, at a cost of \$20.0 million to be paid over a 10-year period. The Request for Proposal process began in the spring of 2013 and the project was awarded in July 2013.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Governor recommends 20.3 FTE positions in FY2014 and 20.6 FTE positions in FY2015, reflecting a change in the internal FTE cost allocation among Treasury programs.

General Treasury	General Revenue
FY2014 Enacted	\$2,471,194
<i>Target and Other Adjustments</i>	<i>(25,527)</i>
Bond and Bank Fees	(111,150)
Legal and Financial Services	(28,050)
FY2015 Governor	\$2,306,467

Bond and Bank Fees **(\$111,150)**

The Governor decreases the amount required for bank and bond fees by \$111,150 from the FY2014 Budget as Enacted level. The reduction is based on actual expenditures occurring in the current fiscal year.

Legal and Financial Services **(\$28,050)**

The FY2014 Budget as Enacted included \$25,000 for financial services and \$28,400 for special legal services regarding litigation associated with the recent pension reform. The Governor anticipates that the

litigation costs associated with the recent legislative changes to the state retirement system should be lower in FY2015 and recommends \$14,500 for legal service costs. In addition, Treasury will rebid the contract for a Financial Advisor in the spring of 2014. The Budget Office projects that a new financial services contract fees will be lower. The Governor decreases legal expenses by \$13,900 and decreases financial services by \$10,000. Other adjustments include a decrease of \$3,000 for actuarial services and a decrease of \$1,150 other financial and temporary services.

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. The Governor recommends 47.6 FTE positions in FY2014 and 47.0 FTE positions in FY2015.

Employees' Retirement System	Other Fund Changes
FY2014 Enacted	\$11,666,065
<i>Target and Other Adjustments</i>	<i>172,282</i>
New Computer System- Net Adjustment	(578,686)
Actuarial and Legal Services	(418,000)
Personnel	(254,616)
Audit and Capital Police Services	250,000
FY2015 Governor	\$10,837,045

New Computer System Purchase – Net Adjustment (restricted receipts) (\$578,686)

The Governor makes adjustments regarding the purchase of a new computer system in the Employee's Retirement System resulting in a net reduction of \$578,686 in restricted receipts. The Governor recommends \$2.4 million for information technology consultant services for an upgrade of the current Anchor computer system to a new system, rather than using a \$3.0 million restricted receipt capital expenditure that was included in the FY2014 Budget as Enacted.

The project involves the replacement of the 10-year-old state retirement computer system. The current system's software is outdated and was designed to address only periodic changes to pension law. In addition, the current system lacks updated personal information security safeguards. All costs associated in implementing the new computer system will be drawn from the Retirement Trust Fund.

Treasury and the State Retirement Board has opted to use a "line-of-business" system approach rather than purchasing new computer hardware and software for the upgrade. This approach allows Treasury to amortize the costs over a longer period of time which keeps the administrative costs within statutory constraints. The result is a decrease of \$3.0 million in capital equipment purchases for both FY2014 and FY2015, and an increase of \$2.4 million under purchased services, resulting in a net decrease of \$578,686.

Actuarial and Legal Services (restricted receipts) (\$418,000)

The FY2014 Budget as Enacted includes \$500,000 for actuarial services and \$661,000 for general and special legal services regarding litigation associated with the 2011 pension reform. The Governor anticipates that actuarial and litigation costs associated with the recent legislative changes to the state retirement system should diminish as the legal challenges are resolved. To that end, the Governor recommends \$423,000 for legal service costs and \$320,000 for actuarial services, for a total reduction of \$418,000.

Personnel (restricted receipts) (\$254,616)

The Governor decreases personnel expenses by \$254,616 within the State Retirement System. The decrease is attributable to several factors including: FTE position cost allocation adjustments out of the Retirement System, eliminating the state employee 1.0 special counsel working on the pension litigation issue, the standard 3.0 percent personnel turnover factor for non-management personnel, and a 7.0 percent transition turnover factor on management personnel based on historical data of what occurs when a new General Treasurer takes office.

Audit and Capital Police Services (restricted receipts) \$250,000

The Governor adds \$250,000 in restricted receipt expenditures for additional auditing and Capital Police services. The Governor adds \$140,000 for additional auditing and accounting services related to municipal payroll audits and adds \$110,000 to station a Capital Police Officer to provide security Treasury's office located at 50 Service Avenue in Warwick. Security is required due to the nature of the personal and private data stored on the premises as well as to monitor visitors.

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Governor recommends 11.0 FTE positions in FY2014 and 11.1 FTE positions in FY2015, reflecting a change in the internal FTE cost allocation among Treasury programs.

Unclaimed Property	Other Fund Changes
FY2014 Enacted	\$18,559,092
<i>Target and Other Adjustments</i>	65,841
November 2013 Revenue Estimating Conference Adjustments	899,298
FY2015 Governor	\$19,524,231

November 2013 Revenue Estimating Conference Adjustments (restricted receipts) \$899,298

Based on Treasury's testimony received at the November 2013 Revenue Estimating Conference, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund increases by \$400,000, claim payouts increase by \$1.0 million, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) decreases by \$515,521, resulting in a net increase of \$899,298.

CRIME VICTIMS COMPENSATION

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000. The Governor recommends 4.2 FTE positions in FY2014 and 4.3 FTE positions in FY2015, reflecting a change in the internal FTE cost allocation among Treasury programs.

Crime Victims Compensation	General Revenue
FY2014 Enacted	\$183,498
<i>Target and Other Adjustments</i>	6,825
Crime Victims - Personnel	35,315
FY2015 Governor	\$225,638

Crime Victims Compensation	Other Funds Changes
Crime Victims - Claim Payments	(220,000)

Crime Victims – Personnel **\$35,315**

The Governor recommends \$35,315 in additional general revenue to augment personnel expenses in the FY2015 budget. Indirect cost recoveries on federal and restricted accounts are insufficient to cover program expenses.

Crime Victims – Claim Payments (federal funds) **(\$220,000)**

The Governor recommends a \$220,000 decrease in federal funds for claims and settlement payouts in FY2015. The reduction reflects Treasury’s estimate of what is the most likely expenditure for claims payments in FY2015 based on available federal grant funds as of September 30, 2013, and on the estimate of the federal grant award for FY2014.

Analyst’s Note: The federal funds are appropriated through the Victims of Violent Crime Program administered by the United States Department of Justice. These funds are drawn down by the State on a reimbursement basis after the grant awards to victims are made and administrative costs are incurred by Treasury. In prior fiscal years, the amount budgeted for claims payments reflected the maximum possible award for a given year and did not necessarily reflect the likely claim expenditures for a given year.

Board of Elections

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Board of Elections	\$1.8	\$1.7	\$1.8	\$0.1	3.5%	\$4.1	\$2.4	141.2%
Expenditures by Source								
General Revenue	\$1.8	\$1.7	\$1.8	\$0.1	3.5%	\$4.1	\$2.4	141.2%
Authorized FTE Levels	11.0	11.0	11.0	-	-	11.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends \$4.1 million for FY2015, which is \$2.4 million more than appropriated in the FY2014 Budget as Enacted. The Governor recommends 11.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Board of Elections	General Revenue
FY2014 Enacted	\$1,739,361
<i>Target and Other Adjustments</i>	<i>10,026</i>
General Election Adjustments	2,288,000
Voting Booths	61,250
Information Technology Improvements	46,490
FY2015 Governor	\$4,145,127

General Election Adjustments **\$2.3 million**

In FY2015, the Governor increases general revenue expenditures by \$2.3 million to reflect personnel, purchased services, and operating expenditures required in a General Election year. The increase includes \$2.0 million in the Campaign Matching Public Funds program and \$160,000 for seasonal employees who perform election work. The General Election adjustment also includes increases of \$22,000 to print election and voter registration-related material, \$125,000 to transport the election equipment to and from polling stations, and \$40,000 in legal expenses.

Voting Booths **\$61,250**

The Governor increases general revenue expenditures by \$61,250 to purchase new voting booths. The Board requested \$122,500 to purchase 490 new voting booths, at a cost of \$249 per booth, to reduce wait times at voting local precincts. However, the Governor recommends purchasing half the number of booths requested, or 245 booths, and postpones the purchase of the other half of the booths until data is collected that validates the need to purchase the remaining booths.

Information Technology Improvements **\$46,490**

The Governor recommends a \$46,490 to update computer hardware and software at the Board of Elections. The recommendation is based on a recent Division of Information Technology (DoIT) evaluation that identified numerous technology risks at the Board, based primarily on the outdated technology infrastructure. The project includes the replacement of 16 workstations, a server, network switches, and routers.

CAPITAL PROJECTS

The FY2014 Enacted Capital Plan includes \$1.3 million in RICAP funding for renovations for a new roof, HVAC repairs, new carpeting, and bathroom upgrades at the Board of Elections headquarters at 50 Branch Avenue in Providence. The Governor's capital budget recommendation eliminates the RICAP funding for these renovations. According to the Budget Office, discussions are ongoing within the Department of Administration as to whether to renovate the Board's current structure or relocate the Board.

Ethics Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
RI Ethics Commission	\$1,500,568	\$1,577,204	\$1,575,940	(\$1,264)	-0.1%	\$1,581,205	\$4,001	0.3%
Expenditures by Source								
General Revenue	\$1,500,568	\$1,577,204	\$1,575,940	(\$1,264)	-0.1%	\$1,581,205	\$4,001	0.3%
Authorized FTE Levels	12.0	12.0	12.0	-	0.0%	12.0	-	0.0%

Totals may vary due to rounding.

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends \$1.6 million for FY2015 and recommends 12.0 FTE positions in FY2014 and FY2015, consistent with the enacted level. The agency's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011 and expires on November 30, 2021. The annual lease expense is \$107,000.

Ethics Commission	General Revenue
FY2014 Enacted	\$1,577,204
<i>Target and Other Adjustments</i>	<i>4,001</i>
FY2015 Governor	\$1,581,205

Office of the Governor

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Central Management	\$4.0	\$4.4	\$4.6	\$0.2	3.8%	\$4.7	\$0.2	4.7%
Expenditures by Source								
General Revenue	\$4.0	\$4.4	\$4.6	\$0.2	3.8%	\$4.7	\$0.2	4.7%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

In FY2015, the budget for the Office of the Governor is \$4.7 million, all general revenues. The budget includes 45.0 FTE positions in both FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Office of the Governor	General Revenue
FY2014 Enacted	\$4,443,513
<i>Target and Other Adjustments</i>	79,049
Transition Costs	130,000
FY2015 Governor	\$4,652,562

Transition Costs **\$130,000**

The Budget includes \$130,000 for expenses associated with transitioning a new Governor and staff to the Office. Historically, funding for the transition of General Officers has been included in each Office's respective budget during a potential transition year. Transition costs totaled \$131,694 for the Office of the Governor during the last gubernatorial change.

Rhode Island Commission for Human Rights

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted	FY2015 Governor	Change from Enacted		
Commission for Human Rights	\$1.4	\$1.4	\$1.4	-	\$1.5	\$0.1	7.1%	
Expenditures by Source								
General Revenue	\$1.1	\$1.1	\$1.1	-	\$1.2	\$0.1	9.1%	
Federal Funds	0.3	0.3	0.3	-	0.3	-	-	
Total	\$1.4	\$1.4	\$1.4	-	\$1.5	\$0.1	7.1%	
Authorized FTE Levels	14.5	14.5	14.5	-	14.5	-	-	

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

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

The Commission is reimbursed \$650 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$1,800 and \$2,900 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year. For FY2013, it took the Commission an average of 329 days to process a case to final disposition, 79 days quicker than those processed during FY2012.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends 14.5 FTE positions in FY2014 and in FY2015, consistent with the enacted level. Other than the statewide target adjustments, the Governor recommends no significant changes to the Commission's budget.

RI Commission for Human Rights	General Revenue
FY2014 Enacted	\$1,150,785
<i>Target and Other Adjustments</i>	<i>42,298</i>
FY2015 Governor	\$1,193,083

Public Utilities Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Public Utilities Commission	\$7.1	\$8.4	\$8.5	\$0.1	1.2%	\$8.6	\$0.2	2.4%
Expenditures by Source								
Federal Funds	\$0.3	\$0.2	\$0.2	-	-	\$0.1	(\$0.1)	-50.0%
Restricted Receipts	6.8	8.2	8.3	0.1	1.2%	8.5	0.3	3.7%
Total	\$7.1	\$8.4	\$8.5	\$0.1	1.2%	\$8.6	\$0.2	2.4%
Authorized FTE Levels	46.0	49.0	49.0	-	-	50.0	1.0	2.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends a total operating budget of \$8.6 million, including \$8.5 million in restricted receipts and \$87,733 in federal funds. The agency does not receive any general revenue funding. The recommendation represents an increase of \$199,178 (2.4 percent) over the FY2014 Budget as Enacted. The Governor recommends a staffing level of 49.0 FTE positions in FY2014 and 50.0 FTE positions in FY2015 for this agency.

Programming Services Officer Position (restricted receipts)

\$99,727

The Governor recommends adding 1.0 FTE Programming Services Officer position as requested by the PUC. The position would augment five other positions in the Consumer Section to address the backlog in consumer billing issues, service quality concerns, and utility service termination proceedings. Funding for the positions is financed by assessments on all utility companies doing business in Rhode Island.

CAPITAL PROJECTS

The Governor includes \$559,000 in restricted receipts for ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick. The asset protection projects include a roof replacement (FY2015), handicap railings and ramps replacements (FY2015), window replacements (FY2016 and FY2017), repaving the parking lot (FY2018), and, elevator renovations (FY2019).

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

Rhode Island Commerce Corporation

Expenditures	FY2013 Actual	FY2014 Governor	FY2015 Governor	Change from FY2014
Personnel	\$3,710,420	\$3,967,185	\$3,843,978	(\$123,207)
Operating	2,110,871	2,322,227	2,277,227	(45,000)
Grants or Partnerships	235,235	345,435	70,435	(275,000)
Legislative/EDC Grants	633,189	601,058	601,058	-
Airport Impact Aid	1,025,000	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,150,000	1,150,000	1,150,000	-
Innovative Matching Grants	-	500,000	500,000	-
Slater Centers of Excellence	1,500,000	1,000,000	500,000	(500,000)
Federal - Pass-thru Grants	11,685,489	6,256,080	5,006,661	(1,249,419)
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Volvo Ocean Race	-	-	775,000	775,000
Total	\$24,450,204	\$19,566,985	\$18,149,359	(\$1,417,626)
Revenue				
Opening Balance Revenues	\$1,612,267	\$855,729	\$734,247	(\$121,482)
State Appropriation through DOA	3,972,864	3,944,514	4,019,514	75,000
State - Legislative/EDC Grants	633,189	601,058	601,058	-
State - Airport Impact Aid	1,025,000	1,025,000	1,025,000	-
State - STAC Research Alliance (EPScore)	1,150,000	1,150,000	1,150,000	-
Innovative Matching Grants	-	500,000	500,000	-
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Slater Centers of Excellence	1,500,000	1,000,000	500,000	(500,000)
Volvo Ocean Race	-	-	775,000	775,000
Federal Grants	11,685,489	6,256,080	5,006,661	(1,249,419)
Operations				
Other Income	337,500	1,065,000	191,000	(874,000)
Finance Program Allocation ¹	273,024	680,071	676,720	(3,351)
Grant Reimbursements	716,600	823,780	667,319	(156,461)
Total	\$25,305,933	\$20,301,232	\$18,246,519	(\$2,054,713)
Net Gain/(Loss)	\$855,729	\$734,247	\$97,160	(\$637,087)
Outstanding Debt				
Revenue Bonds	\$1,001,256,088	TBD	TBD	TBD
FTE Levels	45.5	40.0	40.0	-

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

Source: Rhode Island Commerce Corporation and Budget Office

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

Commerce RI is administered by a 13-member Board of Directors and is chaired by the Governor. Commerce RI is responsible for managing the Industrial Facilities Corporation, Industrial-Recreational Building Authority, and the Small Business Loan Fund Corporation. In addition, the Corporation provides

staff support to the Renewable Energy Fund, the I-195 Redevelopment Commission, and the Science & Technology Advisory Council.

MAJOR ISSUES AND TRENDS FOR FY2015

Senate bill 2013-S-0718B amended the RIEDC statute to enhance transparency, increase accountability, and improve the agency's performance. The legislation renamed RIEDC the Rhode Island Commerce Corporation (Commerce RI) and moved the agency under the Executive Office of Commerce to be created in 2015.

The legislation requires the Board to create clear performance measures and goals and imposes a number of transparency requirements on the Board, including regularly scheduled audits of the Corporation. In addition, the legislation requires the 13-member board to include a representative from the Governor's Workforce Board Rhode Island (GWBRI) and a public member representing a minority business. The legislation states that upon the appointment of a Secretary of Commerce, the Secretary will become the Chief Executive Officer of Commerce RI and will be required to appoint a Chief Operating Officer (COO). The COO will become responsible for the daily management of Commerce RI.

However, the Governor recommends passage of Article 19 in the FY2015 Budget. This Article delays the creation of the Executive Office of Commerce from February 1, 2015, to July 1, 2015, to provide the next Governor time to review the recently enacted public law.

In addition, the Governor includes \$12.3 million in general revenue to replenish the Job Creation Guaranty capital reserve to pay 38 Studios moral obligation bonds, and provides \$75,000 in general revenue to support a 1.0 Creative and Cultural Economic Coordinator position.

The Governor recommends a \$30.0 million bond referendum to fund the State Cultural Arts and the Economy Grants Program. The Commerce Corporation of Rhode Island, in consultation with the Rhode Island Council on the Arts, will administer this new program. This program will offer matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects. Commerce RI will develop rules and regulations to administer the program.

BUDGET SUMMARY

The State provides general revenue appropriations to the Corporation. However, the General Assembly does not directly approve the Corporation's budget. Instead, the General Assembly provides allocations to the Corporation and for other economic designated items under the General Program section of the Department of Administration budget.

For FY2015, the Governor recommends \$4.0 million in general revenue to fund the operations of the Corporation, an increase of \$75,000, which is added to hire a Creative and Cultural Economy Coordinator, who will be responsible for the planning, developing, managing, and coordinating the State's overall economic development efforts in the creative and cultural economy. In addition, the Governor recommends \$4.6 million in other general revenue "pass-through" appropriations to the Corporation, including:

- \$1.2 million to fund the State's match of the EPScore program.
- \$1.0 million to fund the Airport Impact Aid program.
- \$500,000 to fund the operations of the Slater Centers of Excellence.
- \$500,000 to fund the Innovative Matching Grants Program.
- \$601,058 to fund Community Service Grants assigned to the Corporation.

Rhode Island Commerce Corporation	General Revenue
FY2014 Enacted	\$8,220,572
<i>Target and Other Adjustments</i>	
Volvo Ocean Race	775,000
Slater Centers for Excellence	(500,000)
Creative and Cultural Economy Coordinator	75,000
Innovative Matching Grants Program	Informational
Renewable Energy Fund	Informational
38 Studios Debt Service	Informational
State Small Business Credit Initiative	Informational
FY2015 Governor	\$8,570,572

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

The Governor recommends \$775,000 to support the May 2015 Volvo Ocean Race international sailing competition in Newport. The yachting race is in its 12th edition and is a circumnavigation of the world. Newport, Rhode Island, will be one of the stops in the round-the-world race. At each “leg” of the race, the sailors and yachts conduct an “in port” race. The Governor recommends that the added funds be used to enhance State tourism.

Commerce RI – Slater Centers of Excellence **(\$500,000)**

The Governor recommends \$500,000 to the Slater Centers of Excellence in FY2015. This reflects a reduction of \$500,000 from the FY2014 Budget as Enacted. Begun in 1997, the State has appropriated \$45.6 million in general revenue to stimulate the growth of new industries in the state. The program was formerly known as the Centers of Excellence program and as the Slater Technology Fund. The Slater Centers of Excellence program funding is a line item appropriation within the Department of Administration and administered through Commerce RI. The Slater Centers of Excellence program is designed to support the development of emerging industries with potential for significant long-term growth. Support is provided through four key features;

- Direct Investment – investing directly with entrepreneurs,
- Venture Support – assisting entrepreneurs in developing support and business plans,
- Capital Formation – developing additional; sources of venture capital to leverage investments, and;
- Incubator Facilities – provide facilities for new ventures.

In August 2011, the State, through the former Rhode Island Economic Development Corporation, received a \$13.1 million federal fund award for the State Small Business Credit Initiative (SSBCI), of which the Slater Centers of Excellence received \$9.0 million over a 4-year period of time. The State funds reduction is offset by the receipt of the SSBCI federal funds. The Governor intends to reduce the state appropriation each year to make the Slater Centers self-sufficient by FY2016, through the use of the SSBCI award and private funding.

Commerce RI – Creative and Cultural Economy Coordinator **\$75,000**

The Governor adds \$75,000 to the Rhode Island Commerce Corporation to hire a Creative and Cultural Economy Coordinator, who will be responsible for the planning, developing, managing, and coordinating the State’s overall economic development efforts in the creative and cultural economy.

Commerce RI – Innovative Matching Grants Program **Informational**

The Governor includes \$500,000 in general revenue for the innovative technology and bioscience and engineering internship program to be administered by the Rhode Island Science and Technology Advisory Council. The funds will be used to assist eligible businesses to offset costs associated with

applying for Small Business Technology research grants and to provide matching funds to assist businesses to apply for federal research funds.

Renewable Energy Fund

Informational

The REF provides grants, loans, and other financing for renewable energy projects that produce electricity in a cleaner, more sustainable manner. Specifically, the REF provides incentives for business, commercial and institutional projects, affordable housing developments, municipal renewable energy projects, and technical and feasibility studies.

38 Studios Debt Service

Informational

The Governor recommends \$12.3 million in general revenue from the Department of Administration to replenish the Economic Development Corporation's Job Creation Guaranty program 38 Studios Capital Reserve Fund. On July 26, 2010, the EDC Board gave final approval for a \$75.0 million guaranty to 38 Studios, LLC. The terms of the guaranty are:

- Between November 2, 2010, to November 2, 2011, 38 Studios, LLC was disbursed \$49.5 million out of the \$75.0 million total guaranty.
- EDC issued \$75.0 million in moral obligation revenue bonds.
- Out of the \$75.0 million in bond proceeds, a one-year debt service reserve of \$12.7 million was withheld to cover the principal and interest payments due May 1, 2013, and November 1, 2013. An additional \$10.6 million was held in a capitalized interest account to cover the interest only payments paid in 2011 and 2012.

Analyst's Note: Under the loan guaranty agreement between 38 Studios, LLC and the EDC, in the event that 38 Studios, LLC defaults on its obligations the State could be liable to replenish the debt service reserve. The capital reserve fund does not possess sufficient funds to cover the full debt service costs in FY2015, therefore requiring the State to appropriate \$12.3 million to the reserve fund. Beginning in FY2016, the required debt service on the bonds will be approximately \$12.5 million per year through FY2021.

STATE'S SECURED INTEREST AND COLLATERAL

Under its agreement with the RIEDC, 38 Studios, LLC intellectual property rights and other collateral were pledged to the RIEDC and assigned to the Trustee, the Bank of New York Mellon Trust Company, for the benefit of the Bondholders. In general, any proceeds realized upon the sale of the collateral would be paid to the Bondholders, thus reducing the outstanding principal on the Bonds. To date, \$1.4 million has been recovered and \$635,495 has been spent on recoveries, leaving \$760,530 in cash on hand.

JOB CREATION GUARANTY PROGRAM SETTLEMENT LAW

In addition to retrieving the State's secured interest and collateral from the assets of he failed 38 Studios, LLC, the General Assembly enacted legislation designed to accelerate future settlements on the outstanding lawsuits that could reduce future expenses to the State's taxpayers. On February 13, 2014, Senate Bill 2014-S-2008 and House Bill 2014-H-7050 became Public Law 2014, Chapters 3 and 4. This law provides that any person or entity who resolved its liability to Commerce RI as related to the issuance of \$75.0 million in revenue bonds as part of the 38 Studios, LLC project in a court approved settlement would not be liable on lawsuits from other defendants.

State Small Business Credit Initiative (SSBCI)

Informational

Commerce RI under its former name (RIEDC) received a \$13.1 million federal fund award in 2011 for the State Small Business Credit Initiative (SSBCI). The \$13.1 million grant will be disbursed into three programs, although the funds technically flow through the Small Business Loan Fund Corporation (SBLF). The agreement between the State and the federal government requires that the funds be disbursed to these three programs. Any change in the program disbursement must be approved by the U.S. Treasury.

The \$13.1 million was released in installments with the first \$4.3 million released to the DOA/RIEDC upon the execution of the allocation agreement. Additional installments were released once the State/RIEDC certified that 80.0 percent of the previous installment was expended, obligated, or transferred to the accepted programs.

- The SBLF \$1.7 million was used according to the rules and regulations for the SBLF loans except that these funds can be used by the SBLF to take equity positions in the companies receiving the loans.
- Betaspring received \$2.0 million to target entrepreneurs who complete the 14-week course and commit to stay in RI with their business. Betaspring receives a \$50,000 equity stake in the company. If the company moves out of Rhode Island or fails then the position will turn into a loan with the repayment made to the SBLF.

Analyst's Note: A February 2014 audit report found that Commerce RI "may have repeatedly committed serious violations" of federal regulations in the way it allocated \$2.0 million to Betaspring through the Rhode Island Small Business Loan Fund in 2011. The report indicates that Betaspring used the majority of the funds for operating expenses and that some of its investments were made to out of state and foreign companies.

- The Slater Centers of Excellence (Slater) received \$9.0 million. The Slater program funds were issued with a requirement that some of the funds will be targeted towards Betaspring graduates.
- The RIEDC received \$468,000 to cover the administrative costs.

Office of Health and Human Services

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$99.8	\$117.3	\$127.1	\$9.9	8.4%	\$126.8	\$9.6	8.1%
Medical Assistance	1,564.7	1,750.7	1,747.3	(3.4)	-0.2%	1,966.0	215.4	12.3%
Total	\$1,664.4	\$1,867.9	\$1,874.4	\$6.5	0.3%	\$2,092.8	\$224.9	12.0%
Expenditures by Source								
General Revenue	\$772.3	\$843.2	\$842.0	(\$1.2)	-0.1%	\$847.6	\$4.4	0.5%
Federal Funds	880.9	1,014.7	1,022.4	7.7	0.8%	1,231.4	216.7	21.4%
Restricted Receipts	11.2	10.0	10.0	(0.0)	-0.2%	13.8	3.8	38.1%
Total	\$1,664.4	\$1,867.9	\$1,874.4	\$6.5	0.3%	\$2,092.8	\$224.9	12.0%
Authorized FTE Levels	169.0	184.0	184.0	-	0.0%	184.0	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

While medical assistance expenditures were estimated by the November 2013 Caseload Estimating Conference to be \$45.8 million above FY2014 enacted levels, the Governor proposes \$42.7 million in general revenue savings in FY2015 through provider reductions including reductions to rates paid to hospitals and nursing homes, program improvements that will improve efficiencies and increase federal matching funds, and increased client cost-sharing for families in the Katie Beckett program.

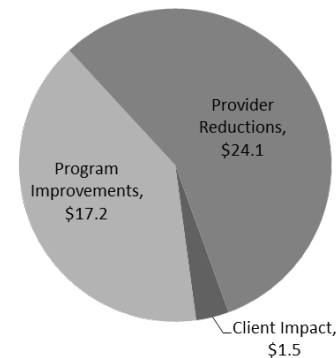
Consistent with national health care reform and the Patient Protection and Affordable Care Act (ACA) reforms that began on January 1, 2014, all Rhode Island adults with income up to 138 percent of the federal poverty level (FPL), regardless of family situation, are eligible for Medicaid. FY2015 represents the first full fiscal year of this expanded eligibility, which is financed entirely by the federal government. As a result, federal funding of the Medicaid program increases 21.4 percent with \$307.1 million included for this newly eligible population.

The FY2015 Budget also includes the Office's Integrated Care Initiative, which reallocated much of the long-term care budget from a fee-for-service program to a managed care program. This initiative seeks to better coordinate long-term care with primary care and behavioral health care, particularly for those eligible for both Medicare and Medicaid.

The Centers of Medicare and Medicaid Services (CMS) has approved an extension of Rhode Island's 1115 Waiver (formerly known as the Global Waiver) until December 31, 2018. Since 2008, the State's Medicaid Program has operated under a single demonstration project that has allowed it greater flexibility in designing and delivering long-term care services. The extension grants the Office authority to expand the State's home and community based services to include non-medical services and replaces the original budgetary cap with a more traditional budget agreement.

The Governor's budget recommends a staff of 184.0 FTE positions, consistent with the enacted level.

Proposed Savings
in millions



CENTRAL MANAGEMENT

OHHS is responsible for consolidating and coordinating core functions of the four health and human services agencies, including budget, finance, and legal. The Governor recommends 184.0 FTE positions for FY2015, consistent with the enacted level.

Central Management	General Revenue
FY2014 Enacted	\$27,699,190
<i>Target and Other Adjustments</i>	<i>(350,624)</i>
Unified Health Infrastructure Project (UHIP)	2,100,419
Cost Allocation Plan	(450,000)
FY2015 Governor	\$28,998,985

Unified Health Infrastructure Project (UHIP) \$2.1 million

The Governor provides \$5.7 million (\$31.7 million all funds) within OHHS for the Unified Health Infrastructure Project, an increase of \$2.1 million (\$11.4 million all funds) over the FY2014 Budget as Enacted, reflecting actual contract costs and an updated project timeline. The UHIP technology build is currently estimated to cost a total of \$135.3 million, including \$13.3 million general revenue from OHHS and \$10.2 million general revenue from DHS.

The Unified Health Infrastructure Project (UHIP) is a two phase IT project. The first phase supports HealthSource RI (HSRI), the State's health insurance marketplace mandated under the federal health reform law, while the project's second phase replaces the State's existing health and human service eligibility system with an integrated eligibility system. A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, it will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface. It is the largest multiagency IT build in the history of the State.

According to the current Implementation Advance Planning Document (IAPD), the projected cost allocation for HSRI and the Integrated Eligibility System is as follows. Figures include costs for both the project build as well as for its maintenance and operation in fiscal years 2013 through 2017.

Fiscal Year	Insurance Marketplace	Integrated Eligibility System			UHIP Total
	HSRI	General Revenue OHHS	General Revenue DHS	Federal Match	
2013	\$1.0	\$0.4	\$0.0	\$3.5	\$4.9
2014	29.9	8.5	4.1	46.5	89.0
2015	10.3	8.0	4.2	37.1	59.6
2016	3.1	4.5	2.3	18.3	28.2
2017	1.5	0.9	0.6	2.9	6.0

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

The project cost and budget timeline for UHIP continue to be volatile. Since the submission of the initial IAPD, change orders have increased overall project costs, the scope of the project has expanded to include a customer service center, and revised cost allocation between OHHS and the Exchange has decreased the general revenue required for the project.

Cost Allocation Plan (\$450,000)

The Governor includes \$450,000 in general revenue savings through the implementation of a new cost allocation plan that will maximize the recoveries of indirect costs allowable under the Medicaid program.

Anticipated savings of \$500,000 are achieved through the establishment of a unique cost allocation plan for the Office, replacing the current DHS-based cost allocation plan that the Office had been using.

These savings are offset by a \$50,000 increase in contract services in FY2015 that will allow the Office, along with federal Medicaid matching funds, to contract with a vendor that specializes in the development of cost allocation plans. The Governor funds a cost allocation contract in FY2014 as well (\$125,000 general revenue, \$250,000 all funds).

MEDICAL ASSISTANCE

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

Medical Assistance	General Revenue
FY2014 Enacted	\$815,528,460
Caseload Estimating Conference	45,788,739
Reduce Managed Care Capitation Rate	(10,840,000)
Reduce Health Care Utilization of High Utilizers	(8,150,627)
Eliminate Outpatient UPL Payment	(5,522,903)
Improve Program Management	(5,049,997)
Eliminate Hospital Rate Increase	(3,948,678)
Eliminate Nursing Home Rate Increase	(3,741,849)
Community First Choice Program 1915(k) Option	(3,047,801)
Katie Beckett Cost Sharing	(1,459,163)
Qualified Health Plan Coverage for Pregnant/Postpartum Women, 133-250% FPL	(599,967)
Connect Care Choice Community Partners- Health Home	(536,700)
Extended Family Planning	200,000
FY2015 Governor	\$818,619,514

Caseload Estimating Conference

\$45.8 million

The Caseload Estimating Conference (CEC) convened on November 4, 2013, to review and revise medical assistance expenditures for FY2014 and FY2015. In comparison to the FY2014 Budget as Enacted, the adopted estimate decreased total general revenue expenditures for FY2014 by \$200,000 and increased general revenue expenditures for FY2015 by \$45.8 million.

The CEC estimates human services medical entitlement current and out year expenditures each November and May. These adopted expenditure levels determine the budget's appropriation for entitlement programs. Conferees include the Senate Fiscal Advisor, the House Fiscal Advisor, and the State Budget Officer.

Nov 2013 Caseload Estimating Conference	FY2014 Enacted	FY2014 Nov Adopted	Change from Enacted		FY2015 Nov Adopted	Change from Enacted	
General Revenue	\$815.5	\$815.3	(\$0.2)	0.0%	\$861.3	\$45.8	5.6%
Federal Funds	907.1	905.9	(1.2)	-0.1%	1,155.5	248.3	27.4%
Restricted Receipts	9.0	9.0	0.0	0.0%	8.5	(0.5)	-5.5%
Total	\$1,731.7	\$1,730.3	(\$1.4)	-0.1%	\$2,025.3	\$293.6	17.0%

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

Caseload Trends: FY2015 enrollment is expected to increase from approximately 150,000 individuals to up to 200,000 individuals through the expanded Medicaid eligibility available as of January 2014 under the Affordable Care Act. The conferees included \$307.1 million for this expansion, funded entirely with

federal funds in FY2015. Federal matching funds for the expansion will be reduced in future fiscal years, however. The Governor's five year forecast includes the following estimates of its out year general revenue costs:

General Revenue Impact	FY2015	FY2016	FY2017	FY2018	FY2019
Medicaid Expansion	-	-	\$9.0	\$21.5	\$27.5
<i>in millions</i>					

Analyst's Note: Based upon actual enrollment in January and February, the Office has revised its estimate of the number of individuals who will enroll in Medicaid through its expanded eligibility. The Office now estimates that 60,326 new individuals will enroll, an increase of 60.9 percent from its prior estimate of 37,484 individuals. Using the same growth trend assumptions as those used in the Governor's forecast, the revised FY2019 general revenue cost for the expansion of Medicaid is \$44.2 million.

Integrated Care Initiative: The Conference estimated costs for the Integrated Care Initiative (ICI), which is funded through a redistribution of resources from other medical assistance programs, including nursing homes, home and community care, managed care, Rhody Health Partners, pharmacy and hospitals.

The Integrated Care Initiative seeks to transform the delivery system of services to those eligible for both Medicaid and Medicare (known as "duals" and "dually eligibles") through the purchase of person-centered, comprehensive, coordinated, quality health care and support services, thus achieving better health outcomes and lower costs.

Historically, delivery of health care services to this population has been complicated by the existence of two separate sets of complex rules, requirements and payment schemes. This fragmented delivery system is further complicated by cross-incentives between Medicaid (which is cost shared between the State and the federal government) and Medicare (which is entirely federally funded).

FMAP Decrease: A decrease in the Federal Medical Assistance Percentage (FMAP) from 50.4 percent in FY2014 to 50.0 percent in FY2015 increases the State's share of medical assistance expenses by more than \$5.5 million across OHHS Medicaid programs.

The FMAP represents the federal government's share of Medicaid spending. Though Rhode Island continues to experience one of the highest unemployment rates in the country, its federal match will be lower in FY2015 because FMAP rates are set based upon per capita income rather than upon other economic measures such as state unemployment rates, foreclosure rates, or SNAP food stamp participation. Furthermore, there is a time lag in the collection and calculation of the rolling three-year average per capita income that is used and consequently the match rate is based upon data from between three and six years earlier and therefore unresponsive in the short term to changes in economic conditions.

Reduce Managed Care Capitation Rate (\$10.8 million)

The Governor reduces Medicaid managed care monthly capitation rates by 2.95 percentage points from the anticipated expense trend for FY2015 for RIte Care and Rhody Health Partners, for savings of \$10.8 million (\$21.7 million all funds).

This is the third consecutive year that managed care capitation rates have been adjusted outside of the Caseload Estimating Conference, at which OHHS has testified to actuarially sound rates based upon the recent claims experience. The rate reduction was included as part of the Office's constrained budget request.

This initiative will impact managed care organizations (MCOs) Neighborhood Health Plan of RI and United Healthcare. The Budget Office notes that should capitation rates paid be insufficient to cover the cost of care actually delivered during the year, the contracted risk share/gain share provision will require the State to share in that loss and make additional payments to MCOs. In this way, these initiatives expose the State to future possible risk share payments.

Analyst's Note: The State's managed care partners have an increasing role in the management of Medicaid care and services. This is particularly the case with the implementation of the Integrated Care Initiative, in which Neighborhood Health Plan (NHP) has been engaged to integrate primary and acute care with long-term care services on a capitated basis for those eligible for both Medicare and Medicaid. While this rate reduction initiative represents a direct revenue loss to NHP, the Governor's proposal to freeze hospital and nursing home rates will also impact NHP.

Reduce Health Care Utilization of High Utilizers

(\$8.2 million)

Under the Governor's proposed budget, high utilizers of health care would be targeted with an array of focused interventions, such as pediatric patient-centered medical homes and an expanded behavioral health care continuum, in order to reduce utilization of higher cost services such as inpatient hospitalization and readmissions. The Governor's budget includes \$8.2 million in general revenue savings (\$16.3 million all funds) from this initiative.

This initiative focuses on the top 5.0 percent of utilizers in these populations:

Low Income Children and Children with Special Health Care Needs (CSHCN) Enrolled in Rite Care:

While the majority of children have low health care needs and low expenses relative to other populations, OHHS has noted approximately 6,000 children for whom health care expenses are six times the Rite Care average. Most of the associated costs involve frequent inpatient hospitalization and behavioral health needs. This initiative reduces utilization by 3.0 percent through intensive care management such as daily visits for medication administration and through an expanded behavioral health continuum of care.

Adults with Disabilities: As with the children noted above, a small portion of this population drives a disproportionate amount of the \$260.7 million cost for this population of Medicaid-only adults with disabilities and elderly. Most of the associated costs involve nursing home care, inpatient behavioral health care and inpatient medical care. This initiative reduces utilization of these services through increased supportive housing opportunities, home-based primary care, and an expanded behavioral health continuum of care.

Eliminate Outpatient UPL Payment

(\$5.5 million)

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

The State has historically made annual Disproportionate Share Hospital (DSH) and UPL payments to hospitals each year. Last year's General Assembly made the UPL payment a statutory requirement but Article 24 of the Governor's proposed budget repeals that requirement effective July 1, 2014. Furthermore, the FY2015 proposed budget does not include a UPL payment, which would total approximately \$5.5 million general revenue (\$11.1 million all funds).

A table outlining this initiative's impact on individual community hospitals appears later in this report.

Improve Program Management

(\$5.0 million)

The Governor proposes a range of initiatives that would improve business processes, ensure program integrity, and enhance benefits management:

- **Improve Pharmacy Benefit Management:** This initiative increases pharmacy rebates from manufacturers by \$2.5 million. A formal process will be established for claiming rebates for pharmaceuticals administered in physicians' offices and billed through managed care organizations.

Currently, rebates for these “J-Code” pharmaceuticals are claimed only for those billed directly through providers.

- **Improve Eligibility Processes:** Utilizing existing personnel resources, the Office will review claims paid to out-of-state providers in non-contiguous states in order to verify residence of recipient. Benefits to non-residents would be terminated. The Office will also review its process for determining financial eligibility for long-term care services and for Medicaid-funded Medicare premium support to ensure policies are uniformly implemented and eligibility is properly determined. These enhanced reviews are estimated to save \$500,000.
- **Review Pricing of Durable Medical Equipment:** Pricing of durable medical equipment, specifically incontinence supplies, would be reviewed in order to ensure that the Medicaid program pays the lowest price on a statewide basis, saving an estimated \$1.0 million.
- **Review Utilization of Imaging Services:** This initiative would expand the requirement for prior authorization of Medicaid radiology imaging services to include those performed in an inpatient or emergency room setting. In this way, services would be performed in the least costly setting, saving \$1.0 million.

Eliminate Hospital Rate Increase

(\$3.9 million)

The Governor’s budget suspends the scheduled rate increase for inpatient and outpatient hospital services in FY2015 in both the fee-for-service and managed care environments. Article 25 provides the authority for this suspension.

Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2015, however, this adjustment is suspended as it was in FY2014. Therefore, for the second year, charges for hospital services are limited to the rates that were in effect in FY2013. The Governor’s FY2015 budget includes savings of \$3.9 million (\$7.9 million all funds) for this initiative.

Analyst's Note: This reduction to hospital payments is in addition to those included in Article 24, which eliminates the Upper Payment Limit (UPL) payments to hospitals in FY2015. Together, these two proposals represent a \$18.9 million reduction in statewide hospital revenue, impacting individual hospitals as follows:

Hospital	Eliminate UPL Payment	Freeze Hospital Rates	Total
Butler	\$0	(\$232,796)	(\$232,796)
Kent	(816,097)	(636,161)	(1,452,258)
Women and Infants	(1,269,573)	(1,444,869)	(2,714,442)
Care New England	(\$2,085,670)	(\$2,313,826)	(\$4,399,496)
Bradley	\$0	(412,486)	(412,486)
Miriam	(1,166,100)	(464,319)	(1,630,419)
Newport	(363,625)	(167,383)	(531,008)
Rhode Island Hospital	(4,081,858)	(2,811,066)	(6,892,924)
Lifespan	(\$5,611,583)	(\$3,855,254)	(\$9,466,837)
Roger Williams	(742,415)	(300,306)	(1,042,721)
St. Joseph	(630,418)	(321,068)	(951,486)
CharterCARE	(\$1,372,833)	(\$621,374)	(\$1,994,207)
Landmark	(596,869)	(322,800)	(919,669)
Memorial	(1,031,923)	(528,159)	(1,560,082)
South County	(186,691)	(87,678)	(274,369)
Westerly	(110,591)	(76,207)	(186,798)
Rehab	(56,277)	(21,557)	(77,834)
Other	(\$1,982,351)	(\$1,036,401)	(\$3,018,752)
Total	(\$11,052,437)	(\$7,826,855)	(\$18,879,292)

According to data provided by the Hospital Association of Rhode Island, overall profit margin for the State's hospitals has been between 0.3 percent and 0.5 percent since FY2007, with eight of the State's fourteen community hospitals experiencing negative profit margins in FY2011. The average profit margin for hospitals in the Northeast is between 2.0 and 3.0 percent and nationally between 5.0 and 7.0 percent.

Eliminate Nursing Home Rate Increase

(\$3.7 million)

The Governor's budget provides that payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2014, but is suspended for FY2015. The Governor's FY2015 budget includes general revenue savings of \$3.7 million (\$7.5 million all funds) for this initiative.

The FY2014 Budget as Enacted also suspended this adjustment and included savings of \$3.9 million (\$7.8 million all funds).

Of the approximately 28,000 Medicaid-eligible elderly individuals in Rhode Island, 21.0 percent, or approximately 5,000, reside in the State's 84 long-term skilled nursing facilities (nursing homes). Their residential costs are budgeted at \$179.3 million (\$361.4 million all funds) in the FY2014 Budget as Enacted. Despite efforts through the Global Waiver to rebalance the State's long-term care system and build community-based supports that will enable people to remain in their homes rather than enter nursing homes, these efforts have been largely unsuccessful.

Prior to current reform efforts, nursing homes had been paid for providing care to Medicaid beneficiaries for 30 years according to a set of cost-based “principles of reimbursement.” Because the reimbursements were based on each facility’s cost, the per diem rates paid by Medicaid varied from facility to facility rather than from resident to resident. The FY2011 Budget as Enacted required OHHS to modify the principles of reimbursement to include an adjustment to the rates for each facility based on the acuity (severity of medical need) of its residents so that ultimately an individual’s care would cost the same no matter which nursing home delivered their care.

Prior to the full implementation of acuity-based rates, however, OHHS has begun implementing the Integrated Care Initiative. For those individuals included in the initiative, OHHS no longer pays for nursing home care on a fee-for-service, per diem basis. Rather, OHHS pays a single monthly rate to Neighborhood Health Plan of RI that integrates both the medical and nursing home care of each individual.

Analyst’s Note: This freeze would be made to the per diem rates paid to nursing homes through the fee-for-service (FFS) system. However, since the implementation of the Integrated Care Initiative, only a small portion of nursing home care is paid through FFS, and the monthly rates paid to NHP do not include the inflator that this initiative freezes.

Community First Choice Program 1915(k) Option (\$3.0 million)

OHHS proposes to pursue increased federal matching funds by implementing a Community First Choice (CFC) program to further promote home and community-based alternatives to institution-based long-term services and supports, saving \$3.0 million in general revenue funding in FY2015.

The Section 1915(k) Community First Choice State Plan Option has been available to state Medicaid programs since the passage of the Affordable Care Act in 2011. States taking up this option receive a 6.0 percent increase in their federal medical assistance percentage (FMAP) for CFC services. In FY2015, Rhode Island would see federal participation for these services increase from 50.03 percent to 56.03 percent. Unlike other programs recently incentivized by the Centers for Medicare and Medicaid Services, such as Health Homes which offer an enhanced FMAP for eight quarters, the enhanced FMAP for CFC services has no time limit or expiration.

Required CFC services include: services that assist beneficiaries with activities of daily living, instrumental activities of daily living, and health-related tasks, such as bathing, dressing, and meal preparation and administering medication. Specific services are determined following an in-person assessment and a self-directed planning process. Backup systems such as beepers or other electronic devices must also be offered in order to ensure continuity of services and supports.

OHHS has been developing a robust network of home and community based services for a number of years through the Money Follows the Person initiative and through the Global Waiver. Because of this, many of the services required for the enhanced CFC match are already offered to eligible participants. The savings in FY2015 are derived primarily from the resultant shift to federal funds.

Katie Beckett Cost Sharing (\$1.5 million)

OHHS seeks to implement an income-based monthly cost sharing requirement upon families with income above 250 percent of the federal poverty level (FPL) whose children are eligible for Medicaid through the Katie Beckett program. Through this program, severely disabled children who require a level of care that would ordinarily be provided in an institution are able to be cared for at home through an array of Medicaid-funded supports such as private duty

Family Income	Monthly Premiums by Family Income and Program	
	Rlte Share	Katie Beckett (Current) / Katie Beckett (Proposed)
Up to 150% FPL	\$0	\$0 / \$0
150% - 185%	\$61	\$0 / \$0
185%-200%	\$77	\$0 / \$0
200%-250%	\$92	\$0 / \$0
Above 250%	Ineligible	\$0 / Income-based

nursing, personal care, and special education services.

While the program currently has no cost-share requirements for families, regardless of income, this new provision would make the program's cost share more consistent with that of the RIte Share program, which imposes co-shares upon families with income above 150 percent FPL. An estimated 970 of the 1,058 Katie Beckett families would be impacted, resulting in savings of \$1.5 million (\$2.9 million all funds).

Since children qualify for the Katie Beckett program by criteria other than family income, OHHS does not have family income data for program participants. In the absence of this information, the Office estimated savings based on a flat \$250 monthly cost-share, which is approximately 5.0 percent of income for a family of four with income at 250 percent of FPL. Though the savings were calculated based upon a flat proxy, the Office intends that the actual premium cost-share be income-based. The cost-share will be established by the programs' rules and regulations and will require CMS approval.

Analyst's Note: Since the Office does not plan to begin its application to CMS until after the General Assembly provides statutory authority for this initiative, it is likely that the full \$1.5 million savings will not be realized in FY2015.

Katie Beckett is considered an "optional" Medicaid coverage group in that the Centers for Medicare and Medicaid Services (CMS) does not require the State to extend benefits to this population. The Rhode Island Katie Beckett program does not limit enrollment, though most other state programs include an enrollment cap. There are currently no premiums or copays for those enrolled in the program.

Approximately 85-90 percent of Katie Beckett children have commercial insurance as their primary insurance and use their Medicaid coverage to cover copays and services not provided through commercial insurance. Though their commercial coverage covers the cost of hospital care, physician services, and medications, costs for specialized services not available or accessible through their commercial health plans averaged over \$2,000 per month in FY2011. The top service categories for these "wrap" services include private duty nursing, personal care, special need and special education services, and pharmacy copays.

Qualified Health Plan Coverage for Pregnant/Postpartum Women, 133-250% FPL (\$599,967)

OHHS assumes that, beginning in 2015, most women with income between 133 and 250 percent of the federal poverty level (FPL) will be enrolled in a Qualified Health Plan (QHP) either through an employer or through HealthSource RI, the State's health benefits exchange, at the time they may become pregnant. This initiative would provide a Medicaid-funded subsidy and wraparound services for these women's existing coverage, with savings derived from the difference between the cost of the subsidy/wrap and the cost of the full Medicaid coverage that they would become eligible for.

The Office plans to wrap women's QHP coverage with complete premium and cost-sharing support. In addition to premium savings, savings are anticipated through fewer Medicaid births and NICU expenses, which average approximately \$75.0 million annually.

The Governor's budget includes \$599,967 in general revenue savings (\$1.2 million all funds) from this initiative.

Connect Care Choice Community Partners- Health Home (\$536,700)

The Governor includes savings achieved through a cost shift to federal funds available under the Affordable Care Act. Under this initiative, the Office's new Connect Care Choice Community Partners program would be given a "Health Home" designation by the Centers for Medicare and Medicaid Services (CMS) and qualify for eight quarters of 90/10 federal matching funds.

The Health Home designation and its accompanying enhanced match are available to programs that coordinate primary, acute, behavioral health, and long-term services for Medicaid enrollees with two or

more chronic conditions. Approved programs include comprehensive care coordination and management, health promotion, transitional care and follow up, and patient and family support.

Connect Care Choice Community Partners is a program available through the Office's new Integrated Care Initiative, which reallocated much of the long-term care budget from a fee-for-service program to a managed care program. This initiative seeks to better coordinate long-term care with primary care and behavioral health care, particularly for those eligible for both Medicare and Medicaid.

Extended Family Planning

\$200,000

OHHS seeks to expand extended family planning to all women and men with income up to 250 percent FPL at a cost of \$200,000 (\$400,240 all funds).

Currently, extended family planning services are available only to post-partum women with income up to 200 percent FPL and include contraceptive services as well as testing for cervical cancer, sexually transmitted diseases and HIV. While pregnant women are categorically eligible for Medicaid and remain eligible for 60 days post-partum, extended family planning services are available to them for two years post-partum.

The budget includes funding that expands the current services to include men as well as women and raise eligibility from 200 percent FPL to 250 percent FPL. Rhode Island would be one of 16 states currently providing benefits to men and women.

Analyst's Note: The intent of this expansion is unclear, since, with the advent of the Affordable Care Act, all of these services are available to individuals inside QHP or Medicaid coverage.

Department of Children, Youth, and Families

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$6.8	\$7.1	\$6.9	(\$0.2)	-3.2%	\$6.9	(\$0.2)	-2.9%
Children's Behavioral Health Services	11.6	10.6	14.4	3.8	36.0%	13.3	2.7	25.2%
Juvenile Correctional Services	26.8	27.7	25.6	(2.1)	-7.6%	23.9	(3.9)	-14.0%
Child Welfare	164.5	168.2	168.9	0.7	0.4%	165.0	(3.3)	-1.9%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Total	\$209.9	\$213.9	\$216.1	\$2.2	1.0%	\$209.2	(\$4.7)	-2.2%
Expenditures by Source								
General Revenue	\$150.9	\$153.0	\$152.3	(\$0.6)	-0.4%	\$148.4	(\$4.6)	-3.0%
Federal Funds	56.2	56.7	59.3	2.7	4.7%	56.1	(0.565057)	-1.0%
Restricted Receipts	2.4	2.6	2.4	(0.2)	-6.3%	2.4	(0.2)	-6.3%
Other Funds	0.4	1.6	2.0	0.4	24.3%	2.2	0.6	40.0%
Total	\$209.9	\$213.9	\$216.1	\$2.2	1.0%	\$209.2	(\$4.7)	-2.2%
Authorized FTE Levels	671.5	670.5	670.5	-	0.0%	670.5	-	0.0%

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

The Department of Children, Youth, and Families (DCYF) is charged with implementing a comprehensive statewide program to protect and create opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, intake and case monitoring, family services, and adoption support), Children's Behavioral Health, and Juvenile Corrections (including the Rhode Island Training School for Youth and Juvenile Probation).

The Department annually provides direct services to an average of 10,000 children and their families, and indirectly services thousands more through community-based support programs.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2014 Budget as Enacted included additional funds to support the expansion of community-based services through the two lead networks of the Department's System of Care, bringing total network funding to \$74.3 million in all fund sources. However, through a number of savings initiatives, the Governor reduces total System of Care funding to \$68.5 million in all fund sources in FY2015.

These initiatives include the transfer of 12 youth ages 19 to 21 to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH); cost shifts for the care of 6 medically-fragile youth to the Office of Health and Human Services (OHHS); and the transfer of 10 out-of-state female youth with serious emotional disturbances (SED) to in-state programs.

The federal Administration for Children and Families approved the Department's waiver application to permit use of federal Title IV-E funds for costs that were previously ineligible for reimbursement. DCYF also anticipates the waiver will help to stabilize and increase predictability of the Department's Title IV-E reimbursements. In prior years, the Department has experienced some challenges in accurately budgeting for these funds, and has required additional general revenues to supplement shortfalls in Title IV-E funds. For FY2015, the Department would potentially have up to \$2.0 million to fund some community-based programs that were not previously allowable before the waiver. The total amount of federal reimbursement is dependent upon actual expenditures incurred in FY2015.

In September 2013, the RI Department of Elementary and Secondary Education reclassified 24 Groden Center group home beds to group homes with on-site educational services. This reclassification shifts the financial responsibility of the portion of the cost of care not incurred by the local educational district to DCYF. This additional cost to DCYF is projected to be approximately \$400,000 in FY2015, however, the Governor does not provide additional funding to support this shift.

The Governor does not include funding for litigation expenses within DCYF for FY2015, despite the pending federal court lawsuit brought by Children's Rights, a national children's advocacy organization that claims that the Department has failed to ensure the safety and well-being of more than 3,000 children in state custody. As of January 31, 2014, the Department incurred a total of approximately \$125,000 in expenses associated with pre-trial costs, such as subject matter experts and document procurement/storage. The Governor includes \$150,000 in the FY2014 Revised Budget within the Office of the Attorney General for litigation fees.

CENTRAL MANAGEMENT

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

The Governor recommends 41.0 FTE positions in FY2015, a reduction of 4.0 FTE positions from the enacted level to reflect actual filled positions, and includes personnel savings based on projected turnover.

Central Management	General Revenue
FY2014 Enacted	\$4,625,414
<i>Target and Other Adjustments</i>	<i>285,606</i>
National Accreditation	Informational
FY2015 Governor	\$4,911,020

National Accreditation

Informational

The Governor does not include funding of \$450,000 for costs associated with receiving accreditation from the Council on Accreditation (COA), an international, independent not-for-profit, child and family-service and behavioral healthcare accrediting organization. Accreditation is effective for four years, and organizations are required annually to certify compliance with COA standards.

Enacted by the General Assembly during the 2010 legislative session, RIGL 42-72-5.3 mandated DCYF begin this accreditation process no later than July 1, 2011, and submit an accreditation plan by July 1, 2012. During the 2012 legislative session, the General Assembly shifted \$450,000 from FY2012 to FY2013 for expenses associated with the accreditation, as the Department had yet to begin the process.

At the beginning of FY2013, the Department conducted a readiness assessment, recommended by the Council on Accreditation, to determine if it is worthwhile to pursue accreditation. At a cost of \$16,000, a COA consultant determined that the Department is prepared to undergo the accreditation process for public child welfare agencies; however, the Department does not plan to pursue accreditation in FY2015 due to the absence of funding.

Analyst's Note: Initially, \$450,000 in general revenue was provided in FY2012 and FY2013 to fund the accreditation, however, the Department did not complete the process in either year. Subsequently, the FY2014 Budget as Enacted eliminated the funding, which is consistent with the Governor's FY2015 recommendation.

According to DCYF, the process takes one year to complete and costs an estimated \$150,000 to \$200,000 for the application fee, \$198,570 for 2.0 FTE positions (both term-limited to the application process, approximately one year), \$16,000 to \$22,000 for site visits, and \$25,000 for incidental costs. DCYF notes that the aforementioned costs do not include structural barriers (additional staff to meet compliance, update record maintenance system, etc.) DCYF may have to overcome to obtain accreditation.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** Staff within CPS includes child protective investigators, who specialize in the investigation of child abuse and neglect. If a child is deemed by an investigator to be in imminent risk of harm, he or she may be removed from the home and placed in the care of the state for up to 48 hours, pending petitions before the Rhode Island Family Court. The Screening/Intake function reviews all CPS investigations where abuse or neglect is indicated, and handles all other referrals to the Department.
- **Family Services:** Staff within Family Services provide ongoing social services and case management to children and families who become involved with DCYF due to abuse or neglect, substance abuse, or behavioral health issues.

The Governor recommends 391.0 FTE positions for the program in FY2015, an increase of 7.0 FTE positions from the enacted level. The positions added are primarily field staff, including 4.0 social caseworkers and 2.0 casework supervisors. This increase accounts for the recent graduation and hiring of a new class of social workers, which began in FY2014.

Child Welfare	General Revenue
FY2014 Enacted	\$116,496,833
<i>Target and Other Adjustments</i>	
Transfer Eligible 19-21 Year Olds to BHDDH	(8,343)
Transfer Eligible 19-21 Year Olds to BHDDH	(1,130,832)
Cost Shift to Medicaid	(978,930)
Transfer Out-of-State SED Female Youth to In-State Programs	(259,241)
Increased Funding for Special Education Costs	Informational
FY2015 Governor	\$114,119,487

Transfer Eligible 19-21 Year Olds to BHDDH ***\$1.1 million***

The Governor shifts the cost for the residential care of some youth ages 19 to 21 to BHDDH, saving DCYF \$1.1 million in general revenue. It is anticipated that the cost of care will be less in the adult (BHDDH) system versus the youth (DCYF) system, resulting in \$529,392 net general revenue savings to the State. It is expected that transferred youth will continue to qualify for federal Medicaid matching funds (50.03 percent match in FY2015). Transfers will only be made at the discretion of the DCYF director.

Current law dictates that if a child is receiving treatment for emotional, behavioral, or mental disorders and has been classified as Seriously Emotionally Disturbed (SED), or has a functional developmental disability, and upon his or her 18th birthday is within the DCYF system, he or she will remain under the care of DCYF until age 21. The Governor proposes to amend current law and permit DCYF, as deemed appropriate by the Director of DCYF, to transfer youth from this population to the State's adult system within BHDDH.

According to the State Budget Office, it costs \$361 per day (approximately \$130,000 per year, per individual) to care for these children within DCYF programming and \$192 per day (approximately \$70,000 per year, per individual) for care within BHDDH programming. According to the Office of Health and Human Services, the cost differential between the two agencies is attributable to DCYF's emphasis on education, compared to BHDDH's emphasis on habilitation and self-sufficiency.

BHDDH would determine whether or not the youth will remain with their current provider and if so, whether or not the same services delivered by DCYF programming will be received.

The Governor's projection assumes 12 youth in DCYF congregate care settings (group homes and residential placements) will transfer to BHDDH. This represents 40.0 percent of the total number of 19 to 21 year olds in the Department's Developmental Disability unit as of September 23, 2013. This assumption is based upon the premise that some youth will not be ready for discharge on or by their 19th birthday. However, according to DCYF, most of these youth will qualify for services through BHDDH once their case is no longer open to DCYF, and it may be appropriate for their cases to be transferred to BHDDH before their 21st birthday. This article permits the DCYF director to make that determination on a case-by-case basis.

Analyst's Note: As of January 27, 2014, 21 youth between the ages of 19-21 were under the care of DCYF, rather than the 29 youth upon which these savings were calculated. If fewer than 12 youth are transferred, savings are expected to be less than under the Governor's proposal.

Cost Shift to Medicaid

(\$978,930)

The Governor achieves \$978,930 in general revenue savings at DCYF by shifting costs for the care for 6 medically fragile youth in out-of-state residential programs to Medicaid. Specifically, it is anticipated that Medicaid will provide for treatment and assessment costs at a rate of \$447 per day, per youth. It is not anticipated that these youth will experience any change in placement or treatment received due to this cost shift.

Costs of care include the following components: education, room and board, and treatment and assessment. The costs for youth will be provided by the youth's local school district, DCYF, and Medicaid/OHHS. DCYF will continue to provide for room and board, and the portion of the cost of education not covered by the youth's school district.

Analyst's Note: It does not appear that the Governor includes a corresponding increase within the Office of Health and Human Services to account for this shift to Medicaid. Medicaid is currently paying for two of the six youth, while the remaining four are still within the System of Care and paid for by the networks of care. The six medically fragile youth are within five separate facilities. Of the five, two providers have enrolled in Medicaid direct billing, two of the facilities are in the process of enrolling, and one facility has refused to enroll.

Transfer Out-of-State SED Female Youth to In-State Programs

(\$259,241)

The Governor recommends the transfer of 10 out-of-state female youth with serious emotional disturbances (SED) to in-state programs, generating nearly \$260,000 in general revenue savings. This proposal requires DCYF to either establish a new program and/or expand upon existing programs. The savings are net of an assumed \$260,000 start-up cost.

Analyst's Note: According to the State Budget Office, this population is being targeted for transfer as there are a greater number of female youth (as opposed to male youth) within this population receiving treatment at out-of-state facilities.

Increased Funding for Special Education Costs

Informational

The FY2013 and FY2014 Budgets included an additional \$500,000 to ease the transition to a new methodology used to set special education tuition rates, which are paid by school districts to DCYF. Beginning in FY2013, DCYF, RIDE, and the Budget Office agreed to begin a five-year phase-in of the new methodology with the expectation that an additional \$500,000 would be allocated to DCYF each year (a total of \$2.5 million over five years). According to RIDE, transitioning to this new methodology shifts approximately \$2.7 million in costs from school districts to DCYF. However, the Governor does not include any additional funding, including \$1.0 million in FY2015.

Currently, districts must pay DCYF a share of the cost of educating students in DCYF custody. Determined by a formula separate from the State's education funding formula, this share is based upon the districts' per pupil rate, which may vary between communities. In FY2014, the average per pupil rate ranged from a high of \$80,000 to a low of \$30,000, and is calculated by dividing the special education

costs of that district by the number of students within the district with an Individualized Education Plan (IEP). The per pupil rate paid by the district to DCYF may be less than the full cost of tuition, and if so, DCYF provides for the difference.

CHILDREN'S BEHAVIORAL HEALTH

The Division of Children's Behavioral Health designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved with the Department due to child abuse, neglect, or delinquency. The Department seeks to support all children and youth with serious emotional disturbances in the least restrictive, clinically-appropriate setting.

The Governor recommends 23.0 FTE positions for the program in FY2015, an increase of 1.0 FTE position compared to the enacted for a Community Services Coordinator.

Children's Behavioral Health	General Revenue
FY2014 Enacted	\$4,491,441
<i>Target and Other Adjustments</i>	<i>740,407</i>
Contracted Services	838,277
FY2015 Governor	\$6,070,125
Contracted Services	\$838,277

The Governor anticipates an increase of \$838,277 in contract service expenditures, including payments associated with DCYF's contracts with Yale University and Rhode Island College (RIC) for current and past-due amounts.

Yale University conducts data analysis services for DCYF and serves as the evaluator of the Department's Title IV-E waiver (discussed above within FY2015 Major Issues and Trends). There was a delay in the receipt of invoices from Yale University for services rendered dating back to FY2010. The Governor includes \$700,000 in general revenue (\$900,000 in all fund sources) for this contract, including the FY2015 payment (\$700,000 all funds) as well as for payment of the balance of prior invoices (\$200,000 all funds).

RIC's Child Welfare Institute provides social worker training to DCYF over a period of 6 months, after which point social workers spend time in the field. Rather than an increase in the number of social workers requiring training or an expansion of the training programs, the Department cites invoicing inconsistencies as there are a number of unpaid invoices for services dating back to FY2011 that were not previously accounted for and included within DCYF's budget. The Governor includes \$1.6 million in all fund sources, which includes the FY2015 payment of \$800,000, with the remainder to be allocated for past due invoices.

HIGHER EDUCATION INCENTIVE GRANTS

The Post-Secondary Tuition Assistance Program provides tuition assistance to youth formerly in foster care to attend a wide range of post-secondary institutions. During the 2012-2013 academic year, 116 students received assistance, which represents an increase of 45 youth from the prior year. Of these 116 students, 108 attended the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. General revenue funding for the incentive program is set by statute at \$200,000.

Higher Education Incentive Grants	General Revenue
FY2014 Enacted	\$200,000
FY2015 Governor	\$200,000

JUVENILE CORRECTIONS

Juvenile Corrections include two major programs for youth offenders:

- The Rhode Island Training School for Youth (RITS) is a secure residential facility for adjudicated juvenile offenders as well as those awaiting trial. The RITS includes 148 beds for male residents and 12 for female residents. The School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, and education.
- Juvenile Probation and Parole supervises adolescents placed on probation by the Family Court.

The Governor recommends 217.5 FTE positions for the program in FY2015, 3.0 FTE positions less than the enacted level in response to current population trends at the RITS. According to the Department, the average daily census has declined from approximately 230 youth in FY2007 to approximately 95 youth in FY2013 (including detained and adjudicated youth).

Juvenile Corrections	General Revenue
FY2014 Enacted	\$26,877,697
<i>Target and Other Adjustments</i>	
Training School Personnel	(130,749)
RITS Reductions	(2,017,428)
	(1,328,909)
FY2015 Governor	\$23,400,611

Training School Personnel**(\$2.0 million)**

The Governor reduces general revenue for personnel by \$2.0 million in FY2015, exclusive of the personnel savings achieved by the elimination of one operational unit at the RITS (discussed below). According to the State Budget Office, these savings are achieved by assuming an increased rate of turnover, projecting a vacancy rate of nearly 20.0 percent, as evidenced by current staffing levels. Given the continuing downward trend in the number of youth detained at the RITS, staffing levels are adjusted accordingly, which includes eliminating a net 3.0 FTE positions.

RITS Reductions**(\$1.3 million)**

Eliminate Pod (\$1.2 million): The Governor recommends the closure of one of the five operational units or pods at the RITS to reflect the trend of fewer youth incarcerated at the State's juvenile detention facility. Personnel and overtime savings are achieved due to a reduction in staffing. However, it is not anticipated that any significant overhead savings will be realized as expenditures for staff are the primary drivers of cost within the program.

The maximum capacity of the RITS, set by statute, may not exceed 160 youth (148 males and 12 females), and the Governor does not propose any statutory change to current law to amend this cap. The Governor's proposal reduces the capacity of open pods at the RITS from 148 to 100, a reduction of 48 beds.

Analyst's Note: According to the Department, the pod was closed in FY2013 due to a reduced census, and the Governor's recommendation formally recognizes this change. With a capacity of 24 beds, this pod previously housed detained and adjudicated male youth. It is anticipated that if the population in the RITS were to increase, the Department would be able to re-open this pod to accommodate any fluctuations in the number of youth detained.

Medical Services (\$173,286): Based upon declining populations, the Governor achieves \$173,286 in general revenue savings for medical services within the RITS. This includes a reduction in a flat rate contract with Lifespan, which provides some medical services received by detained youth. For FY2014,

the cost of medical services totaled \$1.4 million and was anticipated to increase to \$1.6 million in FY2015, however, the Governor proposes to reduce the FY2015 expense to \$1.2 million.

Analyst's Note: According to the Department, the Lifespan contract period runs from February to January, rather than on a fiscal year basis, and is set to expire on January 31, 2017. Based upon a review of the services provided, the Department assumes a reduction of \$129,643 in the current contract year. As of March 3, 2014, the Department is still in negotiations with Lifespan and is in the process of drafting an amendment to the current contract.

CAPITAL PROJECTS

The Governor funds four capital projects, recommending \$5.5 million in Rhode Island Capital Plan (RICAP) funds at DCYF from FY2014 through FY2017. All of the recommended projects are included in the current capital plan, however, funding amounts and disbursement timelines have been amended to reflect revised expenditure projections and project delays. The Governor's recommendation includes:

- \$2.2 million in RICAP funds to assess and upgrade fire protection systems at all 111 privately owned and operated youth group homes and facilities throughout the State.
- Two projects at the RITS, which include improvements to address defects in initial construction and a pre-fabricated building for maintenance operations of the RITS (\$1.5 million in RICAP funds).

Analyst's Note: Many of these issues at the RITS appear to be the result of defects in either the design or construction of the facility. The Department, in conjunction with the Department of Administration and the Office of the Attorney General, unsuccessfully attempted to recuperate some or all of the costs associated with these defects through legal remedy. According to documentation provided by the Department of Administration, it was determined that the State's claim of defective design could not be substantiated.

- The Governor also funds improvements to facilities for private providers, including the North American Family Institute (NAFI), for fire code upgrades and electrical improvements (\$416,300 in RICAP funds).
- \$200,000 in RICAP funds for a pre-fabricated maintenance building at the RITS, which will address maintenance operations as well as create shop and warehouse areas.

Department of Health

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change		FY2015 Governor	Change	
				from Enacted			from Enacted	
Central Management	\$11.1	\$13.4	\$12.1	(\$1.4)	-10.3%	\$12.8	(\$0.6)	-4.4%
Environmental and Health Services Regulation	17.2	19.5	19.3	(0.2)	-1.1%	18.8	(0.7)	-3.8%
State Medical Examiner	2.5	2.5	2.5	(0.0)	-1.3%	2.6	0.0	1.7%
Community and Family Health and Equity	57.8	70.5	65.4	(5.0)	-7.1%	70.3	(0.2)	-0.2%
Public Health Information	3.1	2.5	4.4	1.9	78.8%	3.6	1.2	46.8%
Health Laboratories	7.9	7.7	8.3	0.6	7.6%	7.9	0.2	2.1%
Infectious Disease and Epidemiology	3.6	4.8	6.0	1.2	24.5%	6.6	1.7	36.1%
Total	\$103.2	\$121.0	\$118.0	(\$3.0)	-2.4%	\$122.6	\$1.6	1.3%
Expenditures by Source								
General Revenue	\$24.1	\$24.3	\$24.0	(\$0.3)	-1.3%	\$23.5	(\$0.8)	-3.3%
Federal Funds	54.4	62.0	61.4	(0.6)	-1.0%	65.1	3.1	5.0%
Restricted Receipts	24.7	34.6	32.5	(2.1)	-6.1%	34.0	(0.6)	-1.8%
Other Funds	0.0	0.0	0.1	0.1	265.5%	-	(0.0)	-100.0%
Total	\$103.2	\$121.0	\$118.0	(\$3.0)	-2.4%	\$122.6	\$1.6	1.3%
Authorized FTE Levels	498.0	494.1	491.1	(3.0)	-0.6%	491.3	(2.8)	-0.6%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2014 Budget as Enacted added approximately \$160,000 in general revenue to fully fund the Department's Childhood Lead Poisoning Prevention program at \$600,000, offsetting the loss of a federal grant from the Centers for Disease Control. The Department has since indicated that additional funds may once again be necessary in FY2015. The Governor includes a total of \$660,000 (all funds) for FY2015, including a \$250,000 grant from the Providence Water Supply Board.

The Governor suspends the Certificate of Need (CON) process, providing the Department an opportunity to review the current process and develop a statewide plan to guide future reviews and determinations. Although this initiative generates \$40,000 in general revenue operational savings, no net savings are anticipated as a \$40,000 reduction in fee revenue (paid by health care facilities and providers) is also anticipated to occur. The Governor does not propose any changes to current law, which is required to suspend this process.

The Department regulates the health services delivery system, including facilities and professionals, and oversees population-based activities, including food safety and drinking water quality. An October 2013 report issued by the state Office of Management and Budget (OMB) identified the Department of Health as one of five state entities perceived as posing the greatest obstacle to small business in terms of its regulatory process. OMB further notes that DOH may be among the agencies/entities that interact more frequently with small businesses given their statutory mandates, and therefore perceived more frequently as an obstacle.

CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. The Central Management program also includes the Center for Emergency Preparedness and Response.

The Governor funds 83.0 FTE positions in FY2015, a reduction of 16.1 FTE positions from the enacted level. This change reflects the common practice within the Department to shift positions among programs given available federal funds and for what purpose the funds may be used.

Consistent with the enacted level, the Governor authorizes 20.0 FTE unfilled and unfunded positions with the intent that this would provide a greater ability for the Department to hire new staff as new federal grant opportunities became available. As of the date of this publication, the Department has yet to identify these positions and the specific federal grants that would be used to support them.

Central Management	General Revenue
FY2014 Enacted	\$544,959
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<i>Target and Other Adjustments</i>	<i>(3,354)</i>
FY2015 Governor	\$541,605

STATE MEDICAL EXAMINER

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

The Governor recommends 14.4 FTE positions in FY2015, an increase of 0.9 FTE positions from FY2014. There is no change in the actual number of staff working within the Office; however, the funding for some personnel has been shifted to a separate account not reflected in expenditures for the Office.

State Medical Examiner	General Revenue
FY2014 Enacted	\$2,365,037
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<i>Target and Other Adjustments</i>	<i>66,474</i>
FY2015 Governor	\$2,431,511

ENVIRONMENTAL AND HEALTH SERVICES REGULATION

The Division of Environmental and Health Services Regulation is responsible for two broad areas of regulation and oversight: health facilities and professionals, and environmental concerns such as safe food and drinking water.

In the area of health services regulation, the division is responsible for the regulation of health professions, facilities, managed care organizations, health systems development and expansion (through the Certificate of Need process), and hospital conversion and mergers (under the Hospital Conversion Act).

The Governor includes 145.9 FTE positions in FY2015, an increase of 8.8 FTE positions from the enacted level.

Environmental and Health Services Regulation	General Revenue
FY2014 Enacted	\$9,491,266
<i>Target and Other Adjustments</i>	<i>(144,171)</i>
Prescription Monitoring Program	(96,000)
Suspend Certificate of Need Process	<i>Informational</i>
FY2015 Governor	\$9,251,095

Prescription Monitoring Program **(\$96,000)**

The Governor eliminates funding for the Prescription Monitoring Program (PMP), generating approximately \$100,000 in general revenue savings (approximately \$400,000 all funds). Pharmacists and prescribers use this online database to prevent overprescribing and abuse related to the prescription of drugs. Currently, this initiative is primarily supported with a federal grant award, which is set to expire at the beginning of the third quarter of FY2014, and is not anticipated to continue into FY2015.

Suspend Certificate of Need Process **Informational**

The Governor suspends the Certificate of Need (CON) process for healthcare providers and facilities. Under current law, healthcare providers and facilities are required to undergo this process when looking to develop new services or purchase major equipment (cost of which exceeds \$2.3 million) with the intent that this would help regulate and control healthcare costs. Although this initiative reduces general revenue expenditures by \$40,000, previously used to support legal staff and contracted outside counsel, net savings are not anticipated as a \$40,000 fee revenue reduction is also projected to occur.

Analyst's Note: Although not included in the Governor's recommendation, documentation provided by the State Budget Office indicates that an amendment is required to codify this change in current law. Prior to the submission of the Governor's budget, the Department provided draft legislation in the form of a budget article, but it was determined that this proposed article was not consistent with the Governor's intent to modify the current CON process. It is unclear how healthcare providers are to proceed with proposed changes without further legislative clarification.

HEALTH LABORATORIES

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

The Governor recommends 60.2 FTE positions in FY2015, a reduction of 0.7 FTE position from the enacted level.

Health Laboratories	General Revenue
FY2014 Enacted	\$6,199,240
<i>Target and Other Adjustments</i>	<i>(183,351)</i>
Personnel Changes	114,133
FY2015 Governor	\$6,130,022

Personnel Changes **\$114,133**

Offsetting the loss of federal funds for three positions, the Governor adds \$114,133 in general revenue to partially fund the following positions: a staff member within the Food Lab, information technology staff, and a chief of biological sciences. According to the State Budget Office, this funding will ensure that the laboratory functions and operations are maintained at their current level.

PUBLIC HEALTH INFORMATION

The Division of Public Health Information includes three units. The Center for Health Data and Analysis coordinates the collection and sharing of health-related data to inform health policy decisions, monitors the status and quality of the public health, and supports public health initiatives. The Office of Vital Records maintains the statewide birth, death, marriage, and divorce statistics. The Office of Health Information Technology is responsible for developing a statewide Health Information Exchange to facilitate the sharing of critical health information among health care providers, and for promoting the use of electronic medical records.

The Governor recommends 25.2 FTE positions in FY2015, an increase of 6.7 FTE positions from the enacted level.

Public Health Information	General Revenue
FY2014 Enacted	\$1,524,091
<i>Target and Other Adjustments</i>	<i>35,037</i>
FY2015 Governor	\$1,559,128

Public Health Information	Other Fund Changes
Personnel Changes	\$785,833
Personnel Changes (federal funds)	\$785,833

Reflecting the receipt of four new federal grant awards, the Governor increases funding for personnel for public health programs by \$785,833. The Department seeks to continue its public health initiatives with the additional support for school health and early hearing intervention, pregnancy risk assessment and monitoring, and the surveillance for birth defects.

COMMUNITY AND FAMILY HEALTH AND EQUITY

The Division of Community and Family Health and Equity develops family-centered, comprehensive, community-based programs and systems of care with a focus on eliminating health disparities and controlling disease (including HIV/AIDS and viral hepatitis). The division includes six teams: health disparities and access to care, health homes and environment, chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services and community practices.

The Governor recommends 130.2 FTE positions in FY2014, a reduction of 9.9 FTE positions from enacted and 128.7 FTE positions in FY2014, the majority of which are primarily federally funded (73.7 percent).

Community and Family Health and Equity	General Revenue
FY2014 Enacted	\$2,448,286
<i>Target and Other Adjustments</i>	<i>(119,327)</i>
Lead Poisoning Prevention	(157,710)
FY2015 Governor	\$2,171,249

Community and Family Health and Equity	Other Fund Changes
Race to the Top - Early Learning Challenge	\$901,600
WiseWoman Program	749,978

Lead Poisoning Prevention**(\$157,710)**

The Governor eliminates \$157,710 in general revenue for lead poisoning prevention, which was added in the FY2014 Budget as Enacted to offset the loss of a federal grant from the Centers for Disease Control (CDC). According to the State Budget Office, this additional general revenue funding was a one-time addition for FY2014. Consistent with the enacted level, the Governor also assumes receipt of \$250,000 in restricted receipts, attributable to a grant from the Providence Water Supply Board. Total program funding for FY2015 is projected to be approximately \$660,000, or \$60,000 higher than the enacted level.

The Department engages in a number of lead abatement activities and programs, including the prevention and treatment of lead poisoning for both children and adults. The Department seeks to eliminate childhood lead poisoning in the state through lead screenings, education and policy development, and referrals for medical treatment for identified cases of lead poisoning.

In 2012, approximately 28,000 children younger than 36 months of age were screened (relatively consistent with the prior year). Of the children screened, 6.6 percent were determined to have elevated blood lead levels and 4.5 percent were determined to have lead poisoning.

Analyst's Note: According to the State Budget Office, federal guidelines issued by the CDC used to determining blood lead thresholds for intervention were revised downward in 2013, increasing the number of children at risk for lead poisoning.

Additionally, it is unclear as to whether or not total funding provided by the Governor is sufficient to support the program in FY2015. According to the State Budget Office, the Department spent approximately \$770,000 in FY2013 to support lead poisoning prevention.

Race to the Top (federal funds)**\$901,600**

Reflecting the receipt of funds associated with the Race to the Top grant, the Governor adds \$901,600 in federal funds, in part, to support 4.5 FTE positions associated with implementing the State's education plan associated with the grant. In December 2011, Rhode Island was awarded a Race to the Top Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. In conjunction with the Department of Human Services and the RI Department of Elementary and Secondary Education, the Department of Health collaborated to draft a comprehensive state education plan, a process which was supported by Race to the Top grant funds in FY2013.

WiseWoman Program (federal funds)**\$749,978**

The WiseWoman Program, which began in 2012 and modeled after a similar federal project, seeks to reduce cardiovascular disease and control chronic diseases among low-income and either uninsured or underinsured women ages 40 to 64. Reflecting the receipt of a new federal grant, the Governor includes approximately \$750,000 in federal funds (\$810,000 all funds) to expand this program from Woonsocket to other parts of the State. The estimate is based on 4,850 women participating in the WiseWoman program.

The Thundermist Health Center in Woonsocket received the initial general revenue funding for this pilot program, which focuses on preventative health services, such as screening and evaluation services. Eligible women include participants in the State's Women's Cancer Screening Program, which provides free breast and cervical cancer screenings for uninsured women ages 40 to 64 who are at or below 250.0 percent of the federal poverty level.

Analyst's Note: According to the Department, with the receipt of federal funding for the WiseWoman program, a request for proposal (RFP) was issued and due by December 20, 2013, to expand the program from the Thundermist Health Center in Woonsocket to federally qualified and other health centers in the State. As of February 27, 2014, the Department is in the process of establishing programs with 2 health centers that responded to the RFP, with an anticipated start date of April 1, 2014.

INFECTIOUS DISEASE AND EPIDEMIOLOGY

The Infectious Disease and Epidemiology program is responsible for surveillance and prevention of infectious diseases, including meningitis, Lyme disease, Severe Acute Respiratory Syndrome (SARS), food- and water-borne illnesses, hepatitis, sexually transmitted diseases, and vector-borne diseases such as rabies. The program also offers clinical services (testing, diagnosis, and treatment) for tuberculosis and sexually transmitted diseases.

The Governor recommends 32.4 FTE positions in FY2015, an increase of 6.1 FTE positions from the enacted due the allocation of costs for positions previously allocated within Community and Family Health and Equity.

Infectious Disease and Epidemiology	General Revenue
FY2014 Enacted	\$1,735,122
<i>Target and Other Adjustments</i>	<i>(212,032)</i>
Influenza Hospital Surveillance	(94,570)
FY2015 Governor	\$1,428,520

Influenza Hospital Surveillance ***(\$94,570)***

The Governor eliminates the Influenza Hospital Surveillance Program, saving \$94,570 in FY2015; however, the Department indicates that it will still continue influenza monitoring. In partnership with the Centers for Disease Control, the Department conducts detailed surveillance of Providence County residents who are hospitalized for influenza.

CAPITAL PROJECTS

The Governor continues to fund the upgrade of the State's outdated birth records system within Vital Records. For FY2014, the Governor includes \$663,650 in federal funds (\$671,198 all funds) to complete the birth records module. The total cost of this module is \$763,679.

The Governor also recommends that the Department apply for funding from the State's Information Technology Investment Fund to expand the system upgrades to death, marriage, and other records maintained by the Vital Records Division. The Governor does not explicitly allocate funding for this purpose. According to the Department, each of the records systems will be addressed separately in different modules. In addition to a contract project manager (an estimated \$175,000 annually) and \$250,000 for a Secure Records Area (SRA) to protect existing paper records in FY2015, costs may include:

- **Death Records and Induced Termination of Pregnancy Modules:** For FY2015 through FY2017 the Department estimates approximately \$1.1 million in Information Technology Investment Funds would be needed to implement the electronic death records (\$953,500) and induced termination of pregnancy events records modules (\$150,000).
- **Marriage Records Module:** The Department projects \$400,000 in Information Technology Funds would be necessary to build the electronic records marriage module in FY2018. This project is anticipated to be complete in one year.

Department of Human Services

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$10.6	\$11.2	\$10.3	(\$0.9)	-8.1%	\$9.2	(\$2.0)	-18.0%
Child Support Enforcement	8.1	8.5	8.3	(0.2)	-1.9%	8.2	(0.2)	-2.7%
Health Care Eligibility	15.8	19.2	18.6	(0.7)	-3.4%	20.0	0.8	4.2%
Individual and Family Support	132.9	166.3	176.2	9.9	5.9%	162.0	(4.3)	-2.6%
Rhode Island Works	87.5	90.0	87.9	(2.1)	-2.3%	87.9	(2.1)	-2.3%
State Funded Programs	302.8	300.5	303.1	2.6	0.9%	302.4	1.8	0.6%
Supplemental Security Income Program	18.2	18.2	18.4	0.2	1.1%	18.6	0.4	2.2%
Veterans' Affairs	27.9	30.1	30.7	0.5	1.7%	28.4	(1.7)	-5.8%
Elderly Affairs	28.0	18.0	18.2	0.2	1.4%	18.7	0.8	4.2%
Total	\$631.8	\$662.1	\$671.7	\$9.6	1.4%	\$655.5	(\$6.6)	-1.0%
Expenditures by Source								
General Revenue	\$97.5	\$93.5	\$96.6	\$3.1	3.3%	\$97.3	\$3.8	4.1%
Federal Funds	523.4	554.4	562.7	8.4	1.5%	547.7	(6.7)	-1.2%
Restricted Receipts	7.2	9.8	7.1	(2.6)	-26.9%	6.0	(3.7)	-38.2%
Other Funds	3.7	4.5	5.2	0.7	15.5%	4.5	(0.0)	-0.1%
Total	\$631.8	\$662.1	\$671.7	\$9.6	1.4%	\$655.5	(\$6.6)	-1.0%
Authorized FTE Levels	933.1	959.1	959.1	-	0.0%	959.1	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Governor's budget funds ongoing reforms and initiatives within the Department of Human Services. Through Phase II of its Ford Foundation Work Strategies grant, DHS continues to redesign and modernize its service delivery system, addressing its siloed, redundant, and costly programs and processes in order to maximize participation in and outcomes of its programs.

Although the Governor does not increase the Department-wide FTE cap, and permits DHS to determine which positions will be filled, the Governor does fund new FTE positions within the Department including 29.0 new FTE positions in support of the Unified Health Infrastructure Project (UHIP), with the expectation that other positions, at the discretion of the Department, will remain unfilled. As of February 8, 2014, 12.9 percent of the Department's authorized FTE positions remain vacant, which is higher than the statewide average vacancy rate of 7.7 percent.

The Governor also increases funding for UHIP, a collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, that will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface.

The Governor continues to fund the temporary extension of child care benefits to those earning up to 225.0 percent of the federal poverty level, through September 30, 2014. This increase in the income eligibility ceiling for low-income subsidized child care from the previous limit of 185.0 percent was initially included in the FY2014 Budget as Enacted.

The Governor funds field workers in the Supplemental Nutrition Assistance Program (SNAP) and the Rhode Island Works cash assistance program to assist with eligibility and administrative support, and to address federal sanctions in both of these programs. Within SNAP, additional eligibility staff are

anticipated to improve the program's error rates, which have been high given current caseloads. Within the RI Works program, additional field staff are added to address federal sanctions, which require improved work participation rates for RI Works participants.

Caseload Estimating Conference

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The November 2013 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the Governor's Budget.

Overall spending for cash assistance programs, which includes RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$108.0 million in FY2015, a decrease of \$2.2 million from the enacted level. Major contributors to this reduction are the elimination of the GPA Medical program, as clients are now eligible for Medicaid under the Affordable Care Act, and a reduction in the number of Rhode Island Works cases.

Cash Assistance Program - November 2013 Adopted Estimates			
	FY2014	FY2015	Change to
	Enacted	Adopted	Enacted
Rhode Island Works	\$38.9	\$37.2	(\$1.7)
Federal Funds	38.9	37.2	(1.7)
Child Care	\$51.1	\$50.7	(\$0.4)
Federal Funds	41.4	41.1	(0.4)
General Revenue	9.7	9.7	-
SSI - State Supplement	\$18.2	\$18.6	\$0.4
General Revenue	18.2	18.6	0.4
General Public Assistance	\$2.0	\$1.5	(\$0.6)
Federal Funds	0.3	-	(0.3)
General Revenue	1.7	1.5	(0.2)
Total	\$110.2	\$108.0	(\$2.2)
Federal Funds	80.6	78.2	(2.4)
General Revenue	29.6	29.8	0.2

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

CENTRAL MANAGEMENT

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

The Governor recommends 20.0 FTE positions in FY2015 for Central Management, an increase of 2.0 FTE positions over the enacted level, reflecting increased administrative support for the Director's office.

Central Management	General Revenue
FY2014 Enacted	\$5,543,121
<i>Target and Other Adjustments</i>	<i>(150,733)</i>
Federally Qualified Health Centers	(501,872)
FY2015 Governor	\$4,890,516
Federally Qualified Health Centers	(\$501,872)

The Governor eliminates "costs not otherwise matchable" (CNOM) funding to Federally Qualified Health Centers (FQHC) in FY2015, resulting in a \$501,872 general revenue (\$1.0 million all funds) reduction. Under the Medicaid Global Waiver, CNOMs are federally-matched funds at the State's regular FMAP and are available for populations that are not otherwise eligible for Medicaid under the state plan and intended to prevent or delay an individual's becoming Medicaid eligible. Populations include adults with disabilities, uninsured adults with mental illness, and HIV-positive individuals.

FQHCs may be public or private nonprofit health care organizations and are required to meet certain Medicaid and Medicare eligibility criteria. The Governor's proposed reduction is anticipated to impact 8 FQHCs, including: Blackstone Valley Community Health Care, CCAP/Family Health Services, East Bay

Community Action Program, Providence Community Health Centers, Thundermist Health Center, Tri-Town Community Action Agency, WellOne Primary Medical and Dental Care, and Wood River Health Services.

Although insufficient to cover the full cost of uncompensated care to the FQHCs, CNOM funds are the only funds that flow directly from the State to the community health centers. Other revenues include federal, private, and local grants; and payments for services provided, including reimbursements from Medicaid and commercial insurance providers.

According to the RI Health Center Association, in 2012, community health centers provided \$17.4 million in discounted and free services to patients, including uncompensated care for approximately 175,000 uninsured visits (total visits were 565,000, including insured, uninsured, and Medicaid eligible patients).

Analyst's Note: According to DHS, FQHCs provide health care to many uninsured, but the actual impact of this proposal is unknown. With implementation of the Affordable Care Act (ACA), the number of uninsured is anticipated to decline; however, it is anticipated that some of will remain uninsured given the costs of commercial insurance.

Due to implementation of the ACA, the need for services provided by CNOM funds are anticipated to decline as individuals with certain medical conditions or with certain income circumstances transition from limited Medicaid to either full Medicaid or coverage through the Health Benefits Exchange. However, these funds are currently being used to support FQHCs as this transition, which began in FY2014, occurs.

INDIVIDUAL AND FAMILY SUPPORT

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

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

The Governor recommends 455.0 FTE positions in FY2015, an increase of 11.0 FTE positions from the enacted level. Major changes include 6.0 FTE positions associated with SNAP, 5.0 FTE positions associated with Race to the Top, and 3.0 FTE positions associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

Analyst's Note: Currently, the WIC program's funding and personnel are within DHS, however, the program is managed by the Department of Health. The funding and personnel were formally transferred to DHS in the FY2011 Budget as Enacted.

The United States Department of Agriculture (USDA), which oversees the WIC program at the national level, expressed legal and administrative concerns that DHS did not meet the standard required by federal regulation. USDA recommended that the WIC program be administered by a health department, or comparable department, rather than DHS. In response to the USDA's concerns, OHHS is working with DHS and the Department of Health to address the organizational structure and State's administration of the WIC program. According to OHHS, it is anticipated that the transfer of WIC will be fully addressed when the annual WIC State Plan is submitted to the United States Food and Nutrition Service (FNS) in August 2014.

Individual and Family Support (IFS)	General Revenue
FY2014 Enacted	\$20,922,405
<i>Target and Other Adjustments</i>	
Unified Health Infrastructure Project	266,036
Field and Administrative Staff Additions	3,642,522
Eliminate SNAP Outreach Grant	446,224
Urban Institute Work Support Strategies Grant	(100,000)
	Informational
FY2015 Governor	\$25,177,187

Unified Health Infrastructure Project (UHIP) \$3.6 million

The Governor provides \$3.6 million in general revenue (\$4.5 million all funds) within DHS for technology costs related to the Unified Health Infrastructure Project, reflecting actual contract costs and an updated project timeline. This excludes funding for personnel (discussed within the Health Care Eligibility program). The UHIP technology build is currently estimated to cost a total of \$135.3 million, including \$13.3 million in general revenue from OHHS and \$10.2 million in general revenue from DHS.

The Unified Health Infrastructure Project (UHIP) is a two phase IT project. The first phase supports HealthSource RI (HSRI), the State’s health insurance marketplace mandated under the federal health reform law, while the project’s second phase replaces the State’s existing health and human service eligibility system with an integrated eligibility system. A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, it will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface. It is the largest multiagency IT build in the history of the State.

According to the current Implementation Advance Planning Document (IAPD), the projected cost allocation for HSRI and the Integrated Eligibility System is as follows. Figures include costs for both the project build as well as for its maintenance and operation in fiscal years 2013 through 2017.

Fiscal Year	Insurance Marketplace	Integrated Eligibility System			UHIP Total
	HSRI	General Revenue	General Revenue	Federal	
		OHHS	DHS	Match	
2013	\$1.0	\$0.4	\$0.0	\$3.5	\$4.9
2014	29.9	8.5	4.1	46.5	89.0
2015	10.3	8.0	4.2	37.1	59.6
2016	3.1	4.5	2.3	18.3	28.2
2017	1.5	0.9	0.6	2.9	6.0

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

The project cost and budget timeline for UHIP continue to be volatile. Since the submission of the initial IAPD, change orders have increased overall project costs, the scope of the project has expanded to include a customer service center, and revised cost allocation between OHHS and the Exchange has decreased the general revenue required for the project.

Field and Administrative Staff Additions \$446,224

The Governor’s FY2014 proposed budget includes funding for 6.0 FTE administrative staff positions for the SNAP program, 2.0 FTE positions for RI Works, and 2.5 FTE positions for Child Care Administration. These positions are added to address the excessive error rate within SNAP (a measure of the accuracy of the benefits authorized) and the deficient work-participation rate within RI Works (a performance measure used to assess the State’s TANF welfare-to-work efforts.)

A SNAP penalty of \$519,000 has been levied against the State by the USDA and the State has the option of paying the penalty in full or designating 50.0 percent of the penalty toward investments that improve SNAP administration. The Department has chosen to invest in improvements, including the addition of 6.0 FTE positions for SNAP administration and eligibility. The program has grown over time, and DHS anticipates this trend will continue. This addition of eligibility staff is also intended to address the continuous audit finding on error rates due to high caseloads in the field (currently approximately 2,000 cases per worker).

Eliminate SNAP Outreach Grant

(\$100,000)

The Governor eliminates the State's share of funding provided to the University of Rhode Island's Feinstein Center for the SNAP Outreach Program. The program will continue to receive \$1.5 million in funding, half of which is provided by URI and half by the U.S. Food and Nutrition Service (FNS). Through this program, URI students seek to increase awareness of the program throughout the state at local senior centers, homeless shelters, and other locations to educate and assist potential beneficiaries of the program with the application process.

Urban Institute Work Support Strategies Grant

Informational

The FY2014 Budget as Enacted added 2.0 time-limited FTE positions to support the administration of Phase II of the Ford Foundation/Urban Institute's Work Support Strategies grant, which provides personnel, technical assistance and other resources for the design and implementation of a data-driven plan for streamlined access to work support benefits such as child care, SNAP, subsidized employment and workforce training. Through this grant, DHS will redesign and modernize its service delivery system, addressing its siloed, redundant, and costly programs and processes in order to maximize participation in and outcomes of its programs. As of the date of this publication, 1.0 FTE position remains vacant and it is anticipated that this grant will fund these positions through the close of FY2015.

Analyst's Note: This grant funding supplements a three-year SNAP process improvement grant to modernize DHS's program delivery systems and address the SNAP program's error rate which resulted in a second consecutive annual penalty from the USDA. According to the Department, there is a balance of \$810,000, and DHS is working with the federal Food and Nutrition Services to permit the use of funds for system improvements.

RHODE ISLAND WORKS

Rhode Island Works is Rhode Island's cash assistance program. The program provides cash assistance and employment support services to enable parents with children to support their families. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. Rhode Island Works is funded through the federal Temporary Assistance to Needy Families (TANF) program.

Rhode Island Works	General Revenue
FY2014 Enacted	\$9,668,635
Caseload Estimating Conference	-
FY2015 Governor	\$9,668,635
Rhode Island Works	Other Fund Changes
TANF Job Preparation Program and Child Care	Informational

Caseload Estimating Conference

The November 2013 Caseload Estimating Conference (CEC) estimated a caseload average of 15,125 recipients and total program cost of \$37.2 million for FY2015, all of which is federal funds. Rhode Island also provides child care assistance to families earning less than 180 percent of the federal poverty level. Until September 30, 2014, eligibility for families currently participating in the child care assistance program whose income increases to between 180 percent to 225 percent of the federal poverty level will

continue to receive subsidized child care under a new pilot program. The CEC adopted a FY2015 estimate of 7,145 child care subsidies at a total cost of \$50.7 million (\$9.7 million in general revenue), including caseload projections for both the primary and pilot programs.

TANF – Job Preparation Program and Child Care

Informational

Consistent with current program funding, the Governor’s budget includes \$1.5 million in federal TANF block grant carry forward funds to expand the Department’s current job preparation program.

The program, initially funded in FY2013, provides subsidized employment for those TANF participants not yet employment-ready. The State has contracts with two organizations through which it pays 100.0 percent of wages for participants to gain experience and skills at community-based, nonprofit organizations. For TANF participants with more readiness skills, the State reimburses private sector employers 50.0 percent of wages paid to participants during a training period.

Consistent with the FY2014 Budget as Enacted, the Governor includes \$1.5 million in federal funds in FY2015 to provide child care benefits to participants in the child care assistance program whose income increases to up to 225 percent of the federal poverty level (up from the current 180 percent) from October 1, 2013, through September 30, 2014.

Analyst’s Note: The Governor level funds the extension of child care benefits to those earning up to 225.0 percent of the federal poverty level in FY2015, however, the program is set by statute to expire on September 30, 2014, or after the first quarter of FY2015. The \$1.5 million provided in the FY2014 Budget as Enacted was allocated to provide for expansion of benefits for the entirety a fiscal year. According to the Department, approximately \$90,000 has been spent as of February 18, 2014.

STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, only one of which is, in fact, state-funded.

General Public Assistance (GPA) is a state-funded program (RIGL 40-6-3) that provides basic cash assistance. GPA benefits are available only to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working.

The General Public Assistance hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI, was reduced by half, to \$210,000, in the FY2012 Budget as Enacted. The Governor proposes level funding for FY2015.

The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$300.6 million in FY2015) are fully federally funded.

State Funded Programs	General Revenue
FY2014 Enacted	\$1,906,800
Caseload Estimating Conference	(242,942)
FY2015 Governor	\$1,663,858
Caseload Estimating Conference	(\$242,942)

Estimators at the November 2013 Caseload Estimating Conference (CEC) projected a decrease in general public assistance expenditures in FY2015 due to the elimination of the GPA Medical program, as clients are now eligible for Medicaid under the Affordable Care Act. Expenditures for monthly cash payments and indigent burials, and the GPA hardship contingency fund (\$210,000 general revenue, which is not estimated during the CEC, but included in program totals) are projected to be \$1.7 million in FY2015, a \$242,942 general revenue decrease from FY2014.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps).

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, “disabled” means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any “substantial gainful activity” and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in “marked and severe functional limitations” and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have “limited resources,” defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual’s home, household goods and personal effects, burial plots, and a single vehicle.

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient’s income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment in addition to the federal payment.

In the FY2012 Budget as Enacted, the General Assembly reduced the monthly state supplemental payment to SSI recipients in assisted living facilities from \$538 to \$332, the federal minimum, effective October 1, 2011. Approximately 350 individuals in assisted living residences receive SSI payments; the resident retains a small portion of the payment as a personal needs allowance and the majority of the payment goes to the facility. Though there were initial concerns that the reduction of the state supplement would result in displacement of residents and closure of nursing homes, the Department reports that this has not occurred. The FY2013 Budget added \$250,000 in general revenue to make monthly payments of \$206 to approximately 84 State Supplemental Security Insurance recipients residing in non-Medicaid funded assisted living facilities. This raised state payments from \$332 to \$538 for these recipients and reversed for these facilities the reduction made in the FY2012 Budget. The Governor maintains current payment amounts for FY2015.

Supplemental Security Income (SSI)	General Revenue
FY2014 Enacted	\$18,234,514
Caseload Estimating Conference	404,621
FY2015 Governor	\$18,639,135
<i>Caseload Estimating Conference</i>	<i>\$404,621</i>

The November 2013 CEC estimate reflects an SSI caseload average of 33,951 in FY2015, with individuals receiving an estimated average monthly payment \$45.62 for total general revenue costs of \$18.6 million. Fees associated with the SSI program are expected to be \$53,000, bringing total program costs to \$18.6 million in FY2015.

Prior to January 1, 2011, the federal government administered the state supplemental payment, issuing beneficiaries a single check including both the federal and state payment. The State was charged a transaction fee of \$10.56 for each payment. Beginning in 2011, the State made the supplemental payments directly, avoiding \$4.0 million in transaction fees annually. The State continues to pay transaction fees to the federal government to administer state supplemental payments for a small portion of the caseload for which it also determines eligibility.

HEALTH CARE ELIGIBILITY

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

The Governor recommends 190.3 FTE positions for FY2015, an increase of 23.0 FTE positions from the enacted level of 167.3, reflecting 29.0 new FTE for UHIP, offset by a reduction of 6.0 FTE positions for long-term care and medical services.

Health Care Eligibility	General Revenue
FY2014 Enacted	\$8,141,377
<i>Target and Other Adjustments</i>	
Unified Health Infrastructure Project (UHIP) - Personnel	(461,208)
FY2015 Governor	\$8,226,587

Unified Health Infrastructure Project (UHIP) - Personnel **\$546,418**

The Governor adds \$546,418 in general revenue (\$1.1 million all funds) for 45.0 FTE positions associated with UHIP, bringing total funding in FY2015 to \$731,979 in general revenue (\$3.0 million all funds). In FY2015 29.0 new positions are associated with Medicaid eligibility processing through UHIP. These positions are term limited and the Governor assumes they will be eligible for a 75.0 percent federal reimbursement rate. The Governor also funds 17.0 existing positions, which are responsible for training, systems development, design, and testing. These positions are term limited and the Governor assumes they will be eligible for a 90.0 percent federal reimbursement rate.

According to the Department, additional eligibility staff are necessary to support the influx of new applicants (estimated to be 40,000). Existing eligibility staff were transferred from Medicaid to UHIP to assist, however, it was determined that additional staff would be necessary to help screen all applicants. Eligibility technicians screen clients through the Master Client Index, a database with basic demographic information, and verify applicant information. DHS staff will also assist applicants unable to automatically enroll through the UHIP web portal.

A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, UHIP will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface.

Analyst's Note: The 29.0 eligibility technician positions are term limited for the UHIP funds, and recruitment is underway. Upon the expiration of the federal funds, the Department indicates that it would be able to maintain the positions and transition the staff to unfilled eligibility technician vacancies, based upon current staffing trends.

VETERANS' AFFAIRS

The Division of Veterans' Affairs serves Rhode Island's veteran population of approximately 80,000. The program operates the Rhode Island Veterans' Home, a state-run nursing facility, and the Veterans' Cemetery in Exeter, Rhode Island.

The Governor's FY2015 Budget includes 239.6 FTE positions for the Division, a net increase of 1.0 FTE position from the enacted level, reflecting a number of shifts in specific positions funded within the program, including staff at the Veterans' Home.

Veterans Affairs	General Revenue
FY2014 Enacted	\$20,993,993
<i>Target and Other Adjustments</i>	<i>(40,674)</i>
Personnel	(926,753)
Veterans' Home Overtime	248,000
Veterans' Home - New Construction	Informational
FY2015 Governor	\$20,274,566
<i>Veterans Affairs Personnel and Overtime</i>	<i>(\$531,304)</i>

The Governor increases overtime costs at the Veterans' Home based upon current staffing trends by \$248,000 in general revenue from the FY2014 enacted level, offset by approximately \$780,000 in general revenue savings in other personnel costs given payroll projections. This results in a net reduction of \$531,304 in FY2015.

According to the State Budget Office, overtime costs were underfunded in FY2013 and FY2014 as the Home was unable to achieve savings from planned efficiencies, and based on current expenditure projections the Governor increases funding. In FY2013, the Department spent \$2.0 million in general revenue and the Governor's recommends \$1.9 million in general revenue for overtime expenditures within the program.

Even when accounting for the acceleration of staff recruitment to address overspending in overtime costs, the Governor recommends the reduction, assuming an increase in projected turnover. The residential census is anticipated to increase from 165 long term care residents to a planned 205 long term care residents.

Veterans' Home – New Construction

Informational

In November 2012, voters approved a \$94.0 million bond issue to construct a new Veterans' Home and to repurpose the existing facility. The FY2014 Budget as Enacted assumed an interest rate of 6.0 percent and as of January 2014, \$6.0 million in general obligation bond funds have been issued. Proceeds will be used to address the current home's outdated design and systems with a long term strategy that will provide the full range of support programs required by veterans both now and in the future. The new facility will be constructed immediately behind and connected to the current facility in Bristol.

The current facility will also be repurposed to allow the home to meet the currently unmet needs of veterans with traumatic brain injury and post-traumatic stress disorder as well as the need for adult day services and outpatient rehabilitation services not offered by the VA Hospital.

The Governor's proposed budget includes bond proceeds of \$15.0 million in FY2015 for the architectural services (\$5.0 million) and beginning construction of the new home (\$10.0 million). The Governor's budget also includes general obligation bond funding (\$5.3 million) in FY2014 for engineering and architectural work, as well as a contract project manager. Though construction and renovation will be financed initially through bonds, the Department of Human Services (DHS) anticipates reimbursement of \$21.2 million from the U.S. Department of Veterans Affairs (VA), resulting in a net cost to the State of \$72.8 million, excluding debt service.

Analyst's Note: According to the Division, a contract for a program manager (Peregrine Group) was awarded in September 2013 and a contract for engineering and architectural work (Brewster Thornton Group Architects) was awarded in December 2013 at a total cost of \$6.7 million, exceeding the FY2014 \$5.3 million allocation recommended by the Governor.

CHILD SUPPORT ENFORCEMENT

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

The Governor recommends 58.2 FTE positions for FY2015, a reduction of 3.0 FTE positions from the FY2014 enacted level. This change is primarily due to the elimination of 2.0 FTE that were incorrectly allocated to this program.

Child Support Enforcement	General Revenue
FY2014 Enacted	\$2,370,212
<i>Target and Other Adjustments</i>	<i>(7,372)</i>
FY2015 Governor	\$2,362,840

ELDERLY AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for those sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities. The Division also monitors more than 200 community service grants to regional and community-based agencies.

The Division manages the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, which provides financial assistance for medications to approximately 2,600 Rhode Islanders. Recipients are eligible if they are age 65 and older, or age 55 and older and receiving Social Security Disability Income (SSDI). Since 2008, RIPAE enrollees are required to enroll in a Medicare Part D prescription drug plan, which significantly reduces RIPAE utilization.

The Governor recommends 31.0 FTE positions for FY2015, consistent with the FY2014 enacted level.

Elderly Affairs	General Revenue
FY2014 Enacted	\$5,698,138
<i>Target and Other Adjustments</i>	<i>275,039</i>
Indirect Cost Recovery Restoration	397,491
Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update	Informational
FY2015 Governor	\$6,370,668

Indirect Cost Recovery Restoration**\$397,491**

The Governor adds nearly \$400,000 in general revenue to restore savings assumed in the FY2014 Budget as Enacted. The General Assembly transferred \$397,000 in general revenue costs to restricted receipts under the assumption that the Division would be able to reallocate some administrative costs associated with federal grant administration to restricted receipts. According to the Department, the Division is already maximizing the amount of recovery and will not be able to achieve these savings in FY2015.

According to federal law, the State is permitted to assess the federal government a predetermined fee for direct and indirect costs of administering federal grant programs. Direct costs of grant administration such as salaries and equipment are regularly recovered by DHS.

Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update

Informational

The RIPAE program, which provides income-scaled pharmaceutical subsidies for low- and middle-income seniors, is budgeted at \$174,484 in the Governor's FY2015 budget, consistent with the enacted level.

Under typical Medicare Part D plans into which all RIPAE members are required to enroll, individuals are responsible for 25.0 percent of their drug costs up to an annual drug cost of \$2,840. For drug purchases above this initial coverage limit and under the catastrophic coverage threshold (\$6,448) enrollees are responsible for 100.0 percent of the cost. RIPAE was designed to address this Medicare Part D coverage gap or "Medicare donut hole." Program expenses peaked in FY2001 at \$9.9 million general revenue.

Since that peak, however, the program has become smaller, particularly since passage of the federal Affordable Care Act, which has been gradually decreasing drug costs for enrollees in the donut hole and reducing the need for RIPAE-funded services. The following table illustrates the declining trend in clients, claims, and cost per claim:

	Number of Claims	Unique Clients	Avg. Cost per Claim	Total Cost
FY2007	73,922	6,425	\$24.12	\$1,783,010
FY2008	80,382	6,485	24.64	1,980,222
FY2009	65,488	5,968	23.23	1,521,270
FY2010	51,773	5,051	22.72	1,176,261
FY2011	48,485	4,591	21.01	1,018,723
FY2012	22,360	3,481	16.05	358,878
FY2013	39,295	2,001	4.12	161,754

Analyst's Note: Though program assistance and grants have declined to \$175,000 or by 90.0 percent, annual contracts for the program's administration and personnel expenditures stand at \$130,000 in the FY2014 revised budget and increase to approximately \$150,000 in the FY2015 Budget.

CAPITAL PROJECTS

The Governor recommends a total of \$96.6 million for capital projects from FY2014 through FY2019, including:

- \$93.8 million in general obligation bond funds for the construction of a new Veterans' Home.
- \$1.1 million in RICAP funds to establish and refurbish vending facilities to be operated by the legally blind.
- \$670,000 for the construction of a new columbarium at the Veterans' Cemetery, which is eligible for full federal reimbursement.
- \$600,000 in restricted receipts to complete renovations to three nursing units at the Veterans' Home in Bristol, which is focused on providing residents with a clean environment to live in for the next five years while the new Home is being constructed.
- \$450,000 in restricted receipts for upgrades to the electrical and fire alarm systems at the Veterans' Home in Bristol.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$1.0	\$1.2	\$1.5	\$0.3	22.4%	\$1.5	\$0.3	21.2%
Hospital & Community System Support	3.3	3.6	3.7	0.2	4.8%	3.9	0.4	9.9%
Service for the Developmentally Disabled	225.5	224.3	226.0	1.7	0.7%	227.8	3.4	1.5%
Behavioral Healthcare Services	100.3	94.3	97.9	3.7	3.7%	90.3	(4.0)	-4.2%
Hospital & Community Rehabilitation Svcs	106.1	114.4	110.7	(3.7)	-3.4%	120.5	6.1	5.3%
Total	\$436.3	\$437.8	\$439.9	\$2.0	0.5%	\$444.0	\$6.2	1.4%
Expenditures by Source								
General Revenue	\$196.9	\$202.1	\$200.9	(\$1.2)	-0.6%	\$201.8	(\$0.3)	-0.1%
Federal Funds	228.9	217.8	219.9	2.1	1.0%	215.2	(2.6)	-1.2%
Restricted Receipts	6.0	7.4	9.6	2.2	29.1%	9.6	2.2	29.9%
Other Funds	4.5	10.6	9.5	(1.1)	-11.3%	17.4	6.8	64.4%
Total	\$436.3	\$437.8	\$439.9	\$2.0	0.5%	\$444.0	\$6.2	1.4%
Authorized FTE Levels	1,424.4	1,423.4	1,422.4	(1.0)	-0.1%	1,422.4	(1.0)	-0.1%

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

The Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor's budget provides \$64.4 million all funds for Medicaid-funded behavioral healthcare services, an increase of 17.2 percent from FY2013 actual spending and an increase of 13.1 percent from the FY2014 Budget as Enacted. Program inflation and changes to the federal matching percentage partially account for the increase while the remainder, approximately \$3.1 million, is an unspecified increase.

The Department continues the reform of privately-provided services to individuals with developmental disabilities (DD) begun in FY2012. With the full implementation of a standardized tool to assess need and allocate services, the cost of services is anticipated to decrease by at least 1.9 percent or \$3.4 million, though the Governor does not include these savings in the proposed budget. Implementation is nearly complete, as 98.5 percent of DD caseload is currently receiving services as authorized through the new tool, according to the Department's January 2014 report.

BHDDH continues its efforts to better manage personnel and overtime costs at the Eleanor Slater Hospital and at Rhode Island Community Living and Supports (RICLAS), the state-run system of residential services for the developmentally disabled, through implementation of a continuous recruitment program. The FY2014 Budget as Enacted increased the FTE cap of these programs in order for the Department to establish and maintain an ongoing applicant pool in order to fill vacant positions more quickly and thus lower the overtime costs associated with high FTE vacancy levels in the Department's 24/7 programs. For FY2015, the Governor increases personnel and overtime funding by \$1.6 million to bring funding in line with historic spending and with the FY2014 recommended revised budget.

CENTRAL MANAGEMENT (OFFICE OF THE DIRECTOR)

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program functions include Management and Administration; Legislative Affairs; Constituent Affairs; Advocacy; Hospital Appeals; Strategic Planning; Community and Provider Involvement; and Public Education. The program also centralizes emergency management, planning and renovation of construction, performance improvement, and funds development for the Department.

For FY2015, the Governor recommends 11.0 FTE positions, an increase of 3.0 FTE positions transferred from other programs within the department.

Central Management	General Revenue
FY2014 Enacted	\$816,045
<i>Target and Other Adjustments</i>	<i>154,778</i>
FY2015 Governor	\$970,823

HOSPITALS AND COMMUNITY SYSTEM SUPPORT

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

For FY2015, the Governor recommends 26.0 FTE positions, an increase of 2.0 FTE positions transferred from other programs within the department.

Hospitals and Community System Support	General Revenue
FY2014 Enacted	\$1,592,216
<i>Target and Other Adjustments</i>	<i>2,064</i>
FY2015 Governor	\$1,594,280

DEVELOPMENTAL DISABILITIES

The Developmental Disabilities (DD) program supports a statewide network of private and public programs for those with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate supports in the least restrictive environment for the developmentally disabled. The program manages a population that ranges from those previously institutionalized at Ladd School prior to the closure of the facility in 1993 to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,200 individuals through state-run programs and community-based providers and including those who receive case management services only. The state-run system has 32 homes which are 24 hour nursing-level facilities. The state system, otherwise known as RICLAS (Rhode Island Community Living and Supports) currently supports approximately 195 persons. Private residential providers operate over 300 facilities and support approximately 1,700 persons. The remaining clients served by DD programs participate in day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one DD program.

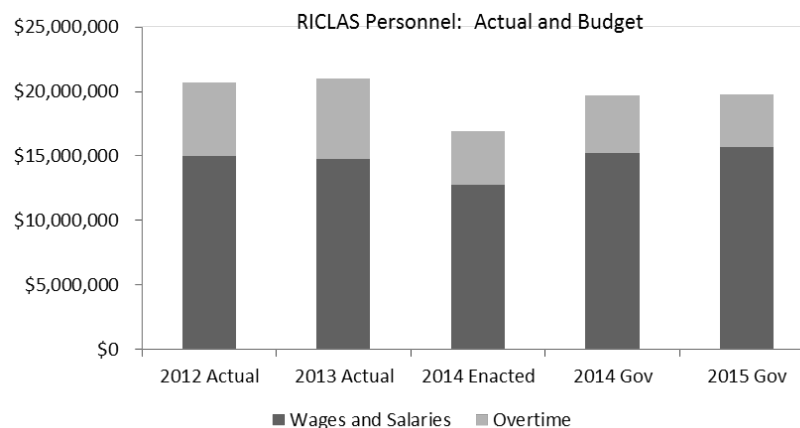
The Governor's recommendation for FY2015 includes 448.4 FTE positions, an increase of 1.0 FTE over the enacted level, to allow for the Department's continuous recruitment initiative noted above.

Service for the Developmentally Disabled	General Revenue
FY2014 Enacted	\$109,467,984
<i>Target and Other Adjustments</i>	
	372,429
Personnel	1,584,352
Project Sustainability	Informational
FY2015 Governor	\$111,424,765

Personnel **\$1.6 million**

The Governor proposes an additional \$1.6 million in general revenue for personnel for the RICLAS state-run system of group homes for the developmentally disabled, restoring turnover savings taken in the FY2014 Budget as Enacted and bringing funding to levels consistent with historical spending for the program. This additional funding is also consistent with the Department's efforts to better control overtime costs with continuous recruitment.

The following table shows all funds expenditures since FY2012. Overtime funding in the Governor's budget is consistent with the FY2014 revised recommendation and approximately \$2.2 million less than the FY2013 actual expenditure.



Project Sustainability

Informational

The Governor's FY2015 Budget provides level funding for Project Sustainability, which reformed the payment methodology for privately-run residential, day and family support programs to the developmentally disabled beginning in FY2012. Project Sustainability replaced the flat monthly bundled individually-negotiated rates paid to providers with a fee-for-service payment methodology that specifies a rate for each service that is applied to every private provider.

As the final stage of Project Sustainability is implemented, the Supports Intensity Scale (SIS), a nationally-recognized assessment tool, is being used to set resources allocations based upon service tiers for each individual beginning February 2013. As of January 2014, approximately 98.5 percent of current Project Sustainability caseload had resource allocations based upon the SIS.

As a result of the implementation of the SIS, the Department has determined that these standardized allocations are anticipated to reduce DD service authorizations by 1.9 to 4.1 percent or by \$3.4 million to a maximum of \$7.2 million in all funds per year when fully implemented. The Governor does not include these savings in the proposed budget.

BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services program consists of two subprograms: Mental Health and Substance Abuse. The program plans, coordinates, and administers systems of treatment for substance abuse prevention and the promotion of mental health. The program provides screening, intervention, early intervention, referral, clinical treatment, and recovery support activities. The program works closely with other departments and agencies in the State, including education, child welfare, and the criminal justice system.

For FY2015, the Governor recommends 29.0 FTE positions, a decrease of 8.0 FTE positions transferred to other programs within the department.

Behavioral Healthcare Services	General Revenue
FY2014 Enacted	\$39,670,207
<i>Target and Other Adjustments</i>	
Increase in Medicaid Services	105,774
Affordable Care Act Savings - Annualization	6,452,958
RESPECT Contract Elimination	(4,143,234)
Prison to Community Grant - Community Service Objective	(2,104,332)
Health Home Rate Reduction	(1,000,000)
Reductions to Select Contracts	(658,130)
Emergency Room Diversion Pilot Program	(467,000)
FY2015 Governor	\$37,606,243

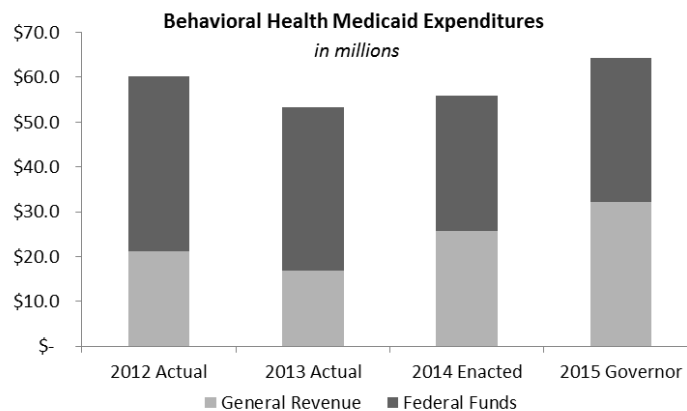
Increase in Medicaid Services

\$6.5 million

The Governor adds \$6.5 million for Medicaid behavioral healthcare services. Adjustments for program trend growth rates and for an updated FMAP account for \$2.7 million of this increase.

According to the Department, the remainder of the general revenue increase, \$3.8 million, is included in the budget because the Department will be unable to realize the full amount of the ACA-related savings annualized from the FY2014 Budget as Enacted. Data underlying this assumption is unavailable. Furthermore, information regarding caseload and utilization of behavioral health services budgeted through BHDDH has historically not been provided by the Department.

The following chart depicts all funds Medicaid spending for behavioral healthcare with BHDDH since 2012. The Governor's budget provides \$64.4 million in FY2015 though spending in FY2013 was \$53.3 million.



Affordable Care Act Savings – Annualization***(\$4.1 million)***

The Governor annualizes savings from the implementation of the Affordable Care Act, which allows for increased federal funding for certain Medicaid-optional behavioral health services. On January 1, 2014, Medicaid coverage was extended to adults without dependent children with incomes up to 138 percent of the federal poverty level. Certain behavioral health services referred to “Costs Not Otherwise Matchable” (CNOM) provided for these newly eligible Medicaid participants, which are now provided at the State’s regular FMAP of 50.0 percent, are now fully federally funded, resulting in \$4.1 million in general revenue savings in FY2015.

RESPECT Contract Elimination***(\$2.1 million)***

The Governor eliminates BHDDH’s contract with The Providence Center that provides state-funded inpatient psychiatric and medical detoxification services for indigent and uninsured individuals. The proposal assumes that these services are now available to individuals through the expansion of the Medicaid eligibility to all adults with income up to 138 percent of the federal poverty level.

Since 2012, The Providence Center has administered these services through their RESPECT program (Recovery-oriented, Empathic Services Proactively Empowering Consumers in Treatment), a state-wide service delivery system that provides a single intake system, staffed 24/7, along with a continuum of care that includes the coordination and monitoring of inpatient psychiatric and medical detoxification services.

Prison to Community Grant – Community Service Objective***(\$1.0 million)***

The Governor eliminates the \$1.0 million Community Service Objective for the Prison to Community Program. It is assumed that parolees will be able to access these services through the Medicaid program as newly eligible enrollees.

This program provides residential and outpatient substance abuse treatment services to parolees for whom these services are a required condition of parole. This program has increased the number of available beds and allowed inmates to have quicker access to treatment rather than waiting in prison for a state-funded residential bed to become available.

Health Home Rate Reduction***(\$658,130)***

Rates paid to community mental health centers for health home services are reduced by 5.0 percent, resulting in \$658,130 in general revenue savings in FY2015. This reduction is also included in the Governor’s proposed FY2014 budget, effective April 1, for savings of \$331,719 in FY2014. This initiative requires approval by the Centers for Medicare and Medicaid Services (CMS).

Health home is a treatment approach for delivering care to individuals with chronic mental health or substance abuse conditions. Services focus on a comprehensive care management plan that integrates behavioral and medical care and that includes case management, care coordination, and transitional care from the hospital to the community.

BHDDH reports that Rhode Island pays providers one of the highest rates in the country for behavioral health home services, when compared to recently submitted State Plan Amendments from other states. The Department had proposed a 3.0 percent reduction in its constrained budget for general revenue savings of \$394,878. The Governor includes a 5.0 percent reduction for additional savings.

Reduction of Select Contracts***(\$467,000)***

The Governor discontinues the following contracts for non-Medicaid, state-funded behavioral health services as other sources of sustainable funding for these projects is available.

- The Governor eliminates the \$40,000 per provider funding for adolescent residential funding for total savings of \$120,000. This state-only funding has been used to supplement the rates paid by Medicaid that providers have claimed are inadequate. Medicaid funding will continue to be available for these services.

- Support for the Rhode Island Council on Alcoholism Hotline is discontinued. With the establishment of the United Way's 2-1-1 call center, a 24-hour service that connects people with social services offered by health and human service providers, government agencies and community-based organizations, the Department has determined that the hotline is no longer necessary. The Governor includes \$19,000 in general revenue savings from the discontinuance of this contract.
- The Governor includes \$128,000 in general revenue savings by eliminating a contract with the National Alliance on Mental Illness, Rhode Island (NAMI-RI). NAMI-RI represents families affected by serious mental illnesses; its mission includes education, advocacy and research. The funds support the Family to Family peer-taught program for caregivers of individuals living with mental illness. In addition to this state grant, NAMI-RI is funded through other grants, fundraising events, and membership dues.
- A \$200,000 general revenue contract with The Providence Center that funds short-term residential beds for clients is eliminated under this recommendation. These services will now be provided to clients through the Medicaid benefit.

Emergency Room Diversion Pilot Program

(\$250,000)

The Governor removes the one-time \$250,000 appropriation included in the FY2014 Budget as Enacted that was to establish a pilot program that diverts chronic inebriates from frequent non-emergency use of hospital emergency departments (ED) and instead transports them to a sobering center for short-term recovery programs, detoxification services and/or referral arrangements.

The Request for Proposals has been issued for this pilot and the Department is currently receiving bids. The Department anticipates that it will expend all funds appropriated for FY2014 in the current fiscal year and has indicated that Substance Abuse Block Grant funds may be available to fund the pilot in FY2015.

This pilot program is a result of the findings and recommendations of the Special Senate Commission to Study Rhode Island Emergency Department Room Diversion. The Commission found that 4.0 percent of high utilization Medicaid ED users accounted for over 40.0 percent of Medicaid ED costs, or more than \$20.0 million in 2008. Likewise, the City of Providence, which ranks first among RI municipalities for rescue runs (244 runs per 1,000 residents), estimated that only approximately 10.0 percent of ambulance transports were for actual medical emergencies.

The program, Sobering Treatment Opportunity Program (STOP), is modeled after those in existence in other cities across the country, including Boston. Under STOP, first responders will be authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists will be utilized and where length of stay is typically 48 to 72 hours.

HOSPITAL AND COMMUNITY REHABILITATIVE SERVICES

The Hospital and Community Rehabilitative Services program provides care for individuals requiring both short and long-term hospitalization for psychiatric and developmentally disabled issues. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations: the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital has two campuses: the larger, at the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on surgical services and long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

For FY2015, the Governor recommends 908.0 FTE positions, an increase of 1.0 FTE position transferred from another program within the Department.

Hospital and Community Rehabilitation Services	General Revenue
FY2014 Enacted	\$50,544,930
<i>Target and Other Adjustments</i>	<i>143,527</i>
Restoration of Turnover Savings	350,000
Increase in Third Party Billing	(843,200)
FY2015 Governor	\$50,195,257

Restoration of Turnover Savings* **\$350,000*

The Governor restores general revenue turnover savings of \$350,000 that were included in the FY2014 Budget as Enacted but unachievable due to the 24/7 nature of the hospital's operation.

Increase in Third-Party Billing* **(\$843,200)*

The Governor proposes to increase third-party billing for services performed by physicians at Eleanor Slater Hospital. These services, which are now billed through Medicaid, are funded at the State's regular FMAP. Through this initiative, the Department will seek to identify services that are covered by other forms of insurance that patients may have, primarily Medicare, which is entirely federally funded, and bill these insurers rather than Medicaid. The increase in billing will increase restricted receipts, which will then be used to offset general revenue personnel expenses.

CAPITAL PROJECTS

The Governor recommends funding for 13 projects as part of the BHDDH Capital Budget, totaling \$17.9 million from all sources for FY2015. The single largest project included in the proposed capital budget is a hospital consolidation project that has a total project cost of \$41.2 million, an increase of \$6.3 million compared to the enacted plan. The Governor includes \$10.0 million in RICAP funds in FY2015. The project is scheduled for completion in FY2017.

Though the project originally involved the restructuring of the Eleanor Slater Hospital through the renovation of the Mathias and Varley buildings, the current project proposes construction of a new facility. This new structure will consolidate the Pastore Center hospital system, which is currently scattered throughout the complex, into one building, making operations more efficient and cost effective. Project costs have increased due to new federal guidelines which require additional rooms and spaces be added to the facility's footprint as well as to rising Rhode Island construction costs.

Other projects funded in the Governor's FY2015 Capital Budget include:

- \$1.7 million (\$275,000 in FY2015) to purchase hospital beds and medical equipment such as infusion pumps, defibrillators, vital sign monitors and Stryker beds. The hospital reports that it currently spends approximately \$500,000 annually to rent beds that comply with accrediting agencies and that meet current patient needs.
- The Governor increases funding for renovations to the BHDDH Administrative buildings by \$700,000, including an additional \$300,000 in both FY2014 and FY2015.

Governor's Commission on Disabilities

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Governor's Commission on Disabilities	\$447,357	\$1,455,336	\$1,485,612	\$30,276	2.1%	\$1,508,802	\$53,466	3.7%
Expenditures by Source								
General Revenue	\$337,427	\$357,711	\$356,352	(\$1,359)	-0.4%	\$358,275	\$564	0.2%
Federal Funds	101,893	129,989	156,330	26,341	20.3%	141,350	11,361	8.7%
Restricted Receipts	5,217	10,365	15,930	5,565	53.7%	9,177	(1,188)	-11.5%
Other Funds	2,820	957,271	957,000	(271)	0.0%	1,000,000	42,729	4.5%
Total	\$447,357	\$1,455,336	\$1,485,612	\$30,276	2.1%	\$1,508,802	\$53,466	3.7%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%

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

Consistent with the enacted level, the Governor recommends 3.0 FTE positions in the FY2014 revised and FY2015 budgets.

Governor's Commission on Disabilities	General Revenue
FY2014 Enacted	\$357,711
<i>Target and Other Adjustments</i>	564
FY2015 Governor	\$358,275

CAPITAL PROJECTS

The Governor's Commission on Disabilities coordinates the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the Americans with Disabilities Act (ADA). The Commission notes in its FY2015 capital plan request that the projects and recommended funding levels are the result of an engineering study completed in FY2012 of all state-owned facilities that identified ADA non-compliance, including safety issues and accessibility barriers. According to the Commission, it is estimated to cost \$45.2 million to bring the State into full compliance with the ADA.

The Governor's recommends \$8.5 million in Rhode Island Capital Plan (RICAP) funds from FY2014 through FY2019, including \$1.0 million in FY2015 to expand handicapped accessibility throughout the State and ensure ADA compliance. This includes funds to improve or expand handicapped accessibility at the State House; fire safety improvements at the Pastore Center; and classroom renovations and parking improvements to increase access to higher education for the disabled at both the University of Rhode Island and Rhode Island College.

Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Commission on the Deaf and Hard of Hearing	\$371,083	\$471,609	\$469,267	(\$2,342)	-0.5%	\$474,279	\$2,670	0.6%
Expenditures by Source								
General Revenue	\$371,083	\$391,609	\$389,267	(\$2,342)	-0.6%	\$394,279	\$2,670	0.7%
Restricted Receipts	-	80,000	80,000	-	-	80,000	-	-
Total	\$371,083	\$471,609	\$469,267	(\$2,342)	-0.5%	\$474,279	\$2,670	0.6%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and recommends programs and legislation to enhance cooperation and coordination among agencies and organizations that now serve, or have the potential to serve, the deaf and hard of hearing.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends 3.0 FTE positions in FY2014 and FY2015 for the CDHH, consistent with the enacted level. The Governor does not include any major adjustments from the FY2014 enacted level for FY2015; however, some expenditure modifications are made to reflect actual experience in FY2014 for contracted interpreters and translators, including staff for public hearings. According to the Budget Office, this use of contract staff continues to be more cost-effective than hiring in-house state employees to fulfill this role.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2014 Enacted	\$391,609
<i>Target and Other Adjustments</i>	2,670
FY2015 Governor	\$394,279
	Other Fund Changes
Emergency and Public Communications Access Program	<i>Informational</i>

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

The FY2014 Budget as Enacted established the Emergency and Public Communications Access Program (EPCAP) to improve emergency communication and communication access within state departments, and to support emergency responder training. Annual operations of this program are funded by a transfer of \$80,000 in restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Governor maintains funding for the EPCAP at the FY2014 enacted level of \$80,000 for FY2015, which includes \$40,000 for a contracted part-time program coordinator; \$20,500 for contract trainers and consultants; and \$19,500 for equipment, advertising, and other expenses.

Office of the Child Advocate

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Child Advocate	\$610,133	\$648,648	\$625,477	(\$23,171)	-3.6%	\$661,817	\$13,169	2.0%
Expenditures by Source								
General Revenue	\$578,085	\$608,651	\$575,477	(\$33,174)	-5.5%	\$50,000	(\$558,651)	-91.8%
Federal Funds	32,048	39,997	50,000	10,003	25.0%	611,817	571,820	1429.7%
Total	\$610,133	\$648,648	\$625,477	(\$23,171)	-3.6%	\$661,817	\$13,169	2.0%
Authorized FTE Levels	5.8	6.0	6.0	-	0.0%	6.0	-	0.0%

The Office of the Child Advocate (OCA) protects the legal, civil and special rights of all children and youth involved in the care of the Department of Children, Youth and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance and advocacy.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends 6.0 FTE positions for the Office of the Child Advocate in FY2015, consistent with the enacted level. Despite the overall decrease in DCYF caseloads, the number of indicated cases of child abuse and neglect increased from 2,225 to 2,266 in 2012. The 2012 rate of indicated cases of child abuse and neglect in the State's four core cities (Central Falls, Pawtucket, Providence, and Woonsocket) was approximately 2.0 percent, or double the statewide rate of 1.0 percent of all children in Rhode Island.

The OCA seeks to prevent such cases by scrutinizing the manner in which the State protects and cares for children by examining system-wide issues and by taking any necessary action to protect the rights of children in DCYF care. Beginning in FY2012, the Office conducted a greater number of inspections of programs servicing DCYF youth after filling 1.0 Senior Monitor position. The Office had difficulty keeping pace with site reviews as this position was once again vacant from September 2013 until January 2014. According to the Office, regular site visits have resumed with the hiring of a new Senior Monitor.

Child Advocate	General Revenue
FY2014 Enacted	\$608,651
<i>Target and Other Adjustments</i>	1,444
Mileage Reimbursements and Parking	1,722
FY2015 Governor	\$611,817

Mileage Reimbursements and Parking **\$1,722**

To accommodate a need for parking near a Providence court house and for mileage reimbursements for staff, the Governor adds \$1,722 in general revenue. Of this total, \$1,300 will enable the Office to rent one parking spot per year in downtown Providence where limited parking has posed a challenge to OCA staff who are frequently required to conduct their work at the court. The Governor also adds approximately \$500 for mileage reimbursements for staff. OCA staff use personal vehicles to conduct site visits for both in and out-of-state facilities.

Office of the Mental Health Advocate

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Mental Health Advocate	\$340,722	\$486,144	\$483,716	(\$2,428)	-0.5%	\$495,010	\$8,866	1.8%
Expenditures by Source								
General Revenue	\$340,722	\$486,144	\$483,716	(\$2,428)	-0.5%	\$495,010	\$8,866	1.8%
Authorized FTE Levels	3.7	3.7	3.7	-	0.0%	3.7	-	0.0%

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor recommends 3.7 FTE positions in FY2014 and FY2015 for the Office. Beginning in 1991, Office staff has been reduced from 7.0 to 3.7 FTE positions. As a result, the Office has ceased performing regular compliance reviews of mental health facilities and licensed mental health group homes. It now investigates only when a complaint has been filed.

According to the Mental Health Advocate, in order to be fully-staffed and meet its statutory responsibilities (most significantly within its Compliance Review Unit), 1.0 social worker position and 0.3 staff attorney position (to transition a part time attorney to full time) at a cost of \$95,000 in FY2015 is needed. However, the Governor maintains the current FTE position level and does not propose any staffing changes for FY2015.

Mental Health Advocate	General Revenue
FY2014 Enacted	\$486,144
<i>Target and Other Adjustments</i>	8,866
FY2015 Governor	\$495,010

Elementary and Secondary Education

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Admin of the Comprehensive Education Strategy	\$237.2	\$252.0	\$253.2	\$1.2	0.5%	\$235.1	(\$16.9)	-6.7%
Central Falls	39.7	38.4	38.4	-	0.0%	38.8	0.4	1.2%
Davies Career and Technical School	16.1	17.8	19.8	2.0	11.4%	19.1	1.3	7.2%
School for the Deaf	6.7	6.8	7.0	0.2	2.9%	6.8	0.1	0.7%
Metropolitan Career and Technical School	14.4	14.6	18.0	3.4	23.3%	11.8	(2.8)	-19.2%
Education Aid	709.0	744.8	742.6	(2.2)	-0.3%	779.8	35.0	4.7%
School Construction Aid	72.0	69.9	67.7	(2.3)	-3.3%	67.9	(2.0)	-2.9%
Teacher Retirement	75.8	81.7	80.9	(0.8)	-1.0%	89.8	8.1	10.0%
Total	\$1,170.9	\$1,226.0	\$1,227.5	\$1.6	0.1%	\$1,249.2	\$23.2	1.9%
Expenditures by Source								
General Revenue	\$928.5	\$964.7	\$961.1	(\$3.6)	-0.4%	\$1,007.2	\$42.5	4.4%
Federal Funds	213.5	225.7	228.8	3.1	1.4%	208.5	(17.3)	-7.6%
Restricted Receipts	23.4	27.7	26.0	(1.7)	-6.0%	27.3	(0.4)	-1.5%
Other Funds	5.6	7.9	11.6	3.7	47.3%	6.2	(1.6)	-20.5%
Total	\$1,170.9	\$1,226.0	\$1,227.5	\$1.6	0.1%	\$1,249.2	\$23.2	1.9%
Authorized FTE Levels	357.4	357.4	357.4	-	0.0%	340.9	(16.5)	-4.6%

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

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

Analyst's Note: Pursuant to Article 4 of the FY2013 Budget as Enacted, the Board of Regents and the Board of Governors for Higher Education were eliminated as of January 1, 2013, to be replaced by the Rhode Island Board of Education. Article 20 of the Governor's FY2015 Budget establishes a new governance structure for the State's public education system from Pre-K through higher education. The article redefines the duties and responsibilities of the Board of Education, increases its membership from 11 to 15, and establishes the Council on Pre K-12 Education and the Council on Postsecondary Education.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor fully funds the fourth year of the education funding formula and categorical aid programs accounting for most of the \$42.5 million general revenue increase in FY2015. The local contribution to the statewide transportation contract decreases by \$1.6 million in both fiscal years, resulting in a reduction in restricted receipts. This adjustment corrects an error in the enacted budget and brings expenditures in line with the FY2013 closing. In FY2015, the restricted receipt decrease for transportation is partially offset by an increase of \$1.5 million in local tuition payments to Davies Career and Technical School.

The Governor recommends the carry forward of RICAP funds from FY2013 into FY2014 to complete the construction of the East Bay Met School facility, the carry forward of asset protection at Davies into FY2014, and a delay in the transfer of the Woonsocket Career and Technical School to the City pushing project completion from FY2015 to FY2017 and delaying funding accordingly. The changes account for most of the other funds increase in FY2014 and decrease in FY2015.

Federal funding for Race to the Top (RTTT) will end on September 23, 2014. As a result, the Department will experience a decrease in federal funding of \$12.2 million in FY2015 and funding to the districts will decrease by \$4.6 million. The grant funded 22.0 FTE positions needed to carry out the program. In order to continue the RTTT initiative, the Department requested 8.0 new FTE positions. The Governor does not recommend these positions and instead reduced the Department's FTE cap by 16.5 FTE positions, retaining 5.5 FTE positions that are funded through the end of the federal fiscal year in October. The Governor includes \$250,000 in general revenues to support ongoing RTTT projects; however, the specific use of these funds is left to the discretion of the Department.

ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

This program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, RIDE provides leadership and support for the entire elementary and secondary education system in Rhode Island.

The Governor recommends 170.6 FTE positions in FY2014 and 154.3 FTE positions in FY2015 for the program. This represents a decrease of 16.3 FTE positions in FY2015 from the enacted level, reflecting the discontinuation of the federal Race to the Top program.

Administration of the Comprehensive Education Strategy	General Revenue
FY2014 Enacted	\$19,826,703
<i>Target and Other Adjustments</i>	<i>66,871</i>
Maintenance of Systems Built with federal Race to the Top Funds	250,000
Department of Justice Monitoring and Issue Resolution	125,000
Vision Services	(250,000)
Grant for Channel 36 Transition	(50,000)
Municipal Oversight (2.0 FTE positions)	Informational
FY2015 Governor	\$19,968,574

Administration of the Comprehensive Education Strategy	Other Funds Changes
Race to the Top	(\$12,208,475)
Race to the Top Early Learning Challenge	1,261,408

***Maintenance of Systems Built with Federal Race to the Top Funds* \$250,000**

Federal funding for Race to the Top (RTTT) will end on September 23, 2014. As a result, the Department will experience a decrease in federal funding of \$12.2 million in FY2015 and funding to the districts will decrease by \$4.6 million. New investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation. The Governor includes an increase of \$250,000 in general revenues to support ongoing RTTT projects. The Department requested over \$2.0 million, and according to the Budget Office will have to prioritize the requested expenditures and determine how to spend the additional \$250,000 in general revenues. The Department's request included funding for 8.0 new FTE positions and support for struggling schools.

***Department of Justice Monitoring and Issue Resolution* \$125,000**

The Governor includes \$125,000 in general revenue for the Department's estimated share of costs associated with settlement and monitoring fees regarding the United States Department of Justice's (USDOJ) investigation into the Training Thru Placement program. In January of 2013, the USDOJ notified Rhode Island that an investigation had been initiated into whether the State had violated Title II of the Americans with Disabilities Act of 1990 which prohibits discrimination on the basis of disability in the services, programs, or activities of all State and local governments. The investigation is focused on

the wages and conditions of people with disabilities working at the Training Thru Placement program housed at the Harold H. Birch Vocational Program at Mount Pleasant High School. In addition to investigating the Department, the USDOJ will investigate the Office of Health and Human Services, the Department of Human Services, the Department of Behavior Health Development Disabilities and Hospitals, and a local school department. An interim agreement has been entered that settles the case as filed in federal court and requires the Department to carry out certain remedial actions to address the rights of people with disabilities to receive state- and city funded employment and daytime services in the broader community rather than in segregated facilities.

Vision Services

(\$250,000)

FY2015 is the second year in a three-year plan to shift the Department's share of the Vision Services Program to the districts. The savings estimated for FY2015 is \$250,000, for a total savings over the first two years of \$498,334. Total savings to the Department, upon full transition is estimated at \$745,000. The shift is consistent with the Department's original intent to move certain general revenue expenditures to the local education agencies (LEAs) and provide state support through the high-cost special education categorical fund. Located at Rhode Island College, the Vision and Education Services Program provides teaching and consultation services to children who are blind or visually impaired, their families, and educational staff within the school environment. The array of services available includes early intervention, orientation and mobility, and the instruction of specific compensatory skills to children from birth through age 21. In FY2013, the Department paid two-thirds of the service cost and the district paid one-third.

Grant for Channel 36 Transition

(\$50,000)

The FY2014 Budget as Enacted does not include any direct funding for the state Public Telecommunications Authority in FY2014. Instead, the FY2014 Budget as Enacted includes a \$300,000 grant to help transition the program and employees from the state Public Telecommunications Authority to the private, not-for-profit Rhode Island Public Broadcasting Service (PBS) Foundation. In FY2015, the Governor reduces the grant by \$50,000 to \$250,000.

Municipal Oversight (2.0 FTE positions)

Informational

The FY2013 Budget as Enacted required the Department, in consultation with the Department of Municipal Finance, to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts at risk of a year-end or structural deficit. The budget did not provide additional FTE positions or funding for the monitoring function. The FY2013 Supplemental Budget provided the 2.0 FTE positions; however, neither the supplemental budget nor the FY2014 Budget as Enacted provided any additional funding for the positions. The Department was instructed to manage vacancies to realize the savings needed to fund the new positions. The Governor still does not recommend any funding for the positions in FY2015. The Department estimates the cost of the positions at \$194,156 in FY2015. The Governor recommends turnover savings of 1.5 percent, or \$190,863 in FY2015.

Race to the Top (federal funds)

(\$12.2 million)

Race to the Top is a \$4.3 billion education reform fund made available by the United States Department of Education (USDOE) as part of the American Recovery and Reinvestment Act (ARRA). Awards in the grant competition went to states that submitted plans for education reform. In August 2010, Rhode Island was one of ten states awarded a Race to the Top (RTTT) grant in the second phase of the competition, coming in fifth out of the 35 states, plus the District of Columbia, that applied. Rhode Island won \$75.0 million over four years to help transform education in the State. The RTTT grant is intended to accelerate Rhode Island student achievement by strengthening teachers, leaders and the systems that support them. New investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation.

Federal funding for Race to the Top (RTTT) will end on September 23, 2014. As a result, the Department will experience a decrease in federal funding of \$12.2 million in FY2015 and federal funding to the districts will decrease by \$4.6 million.

Race to the Top - Early Learning Challenge Grant (federal funds)

\$1.3 million

In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. This program ends December 31, 2015.

The Governor recommends \$5.4 million in FY2015 for this program, an increase of \$1.3 million from the FY2014 Budget as Enacted. The FY2013 Budget as Enacted included an additional 13.0 limited-term, federally-funded positions to be financed through this grant.

CENTRAL FALLS SCHOOL DISTRICT

In 1991, it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. The school district was reorganized and has been under the control of the State Department of Elementary and Secondary Education since FY1993. The State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the new education funding formula. The Governor recommends \$38.8 million for the Central Falls School Department in FY2015. This includes the formula distribution as well as \$1.8 million in funding through the Central Falls Stabilization Fund. (*See Education Aid in the Special Report section of this publication for further detail.*)

Central Falls	General Revenue
FY2014 Enacted	\$38,399,591
<i>Target and Other Adjustments</i>	<i>446,261</i>
FY2015 Governor	\$38,845,852

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it received its State funding as determined through the new funding formula. Sending districts pay a portion of the tuition for each student from their district, estimated to be \$2.9 million in FY2015. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation, upon full transition, is about \$450,000 annually and about \$360,000 in FY2015.

The Governor recommends \$12.2 million in general revenue funding for the Davies Career and Technical School, a decrease of \$564,255 from the FY2014 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

The Governor recommends 126.0 positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Davies Career & Technical School	General Revenue
FY2014 Enacted	\$12,792,048
<i>Target and Other Adjustments</i>	<i>(564,255)</i>
FY2015 Governor	\$12,227,793

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Governor recommends \$5.9 million in general revenue funding for FY2015, and 60.0 FTE positions in FY2014 and FY2015 for the program. The funding represents a decrease of \$140,370, and the FTE positions are consistent with FY2014 Budget as Enacted.

Rhode Island School for the Deaf	General Revenue
FY2014 Enacted	\$6,070,194
<i>Target and Other Adjustments</i>	<i>(140,370)</i>
FY2015 Governor	\$5,929,824

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Met School is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. Sending districts pay a portion of the tuition for each student from their district, estimated to be \$4.7 million in FY2015. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school provides a yellow bus for those students. The total estimated cost to the school is about \$177,000 annually.

The Governor recommends \$10.5 million in general revenue funding for the Met, a decrease of \$548,442 from the FY2014 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

Metropolitan Career & Technical School	General Revenue
FY2014 Enacted	\$11,085,049
<i>Target and Other Adjustments</i>	<i>(548,442)</i>
FY2015 Governor	\$10,536,607

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2014 Enacted	\$724,892,567
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<i>Target and Other Adjustments</i>	<i>(240,233)</i>
Year 4 Funding Formula	35,485,286
Categorical Funds	3,087,840
Group Home Aid	(1,037,767)
School Breakfast - Eliminate Administrative Support	(270,000)
Eliminate Non-Public Textbook Reimbursement	(240,000)
Charter School Growth	Informational
FY2015 Governor	\$761,917,693

Year 4 Funding Formula**\$35.5 million**

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

The formula establishes a per-pupil spending amount (\$8,966 in FY2015) and allocates this funding based on student enrollment. The formula also includes a single factor to adjust the core foundation amount to address the effects of poverty and other factors influencing educational needs. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, (\$3,586 in FY2015) for each student eligible for free or reduced lunch. The formula also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (*See Education Aid in the Special Report section of this publication.*)

The Governor's FY2015 budget recommendation includes an additional \$35.5 million to fund the fourth year of the funding formula, for a total of \$742.2 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. This amount also includes \$1.4 million for districts that may implement full-day kindergarten programs in FY2015. The Kindergarten Accessibility Act requires that beginning in school year 2014-2015 districts converting from a half-day to a full-day program are credited on a full-time basis in the RADM for the funding formula in the first year of enrollment. The aid will be distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations of RIGL 16-99-4, and will be updated to reflect the new March enrollment data and FY2015 share ratios.

The funding for fourth year of the education funding formula for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$33.0 million. The difference is due to the decrease in funding to Central Falls (\$1.3 million), Davies (\$564,255), and the Met (\$548,442) in FY2015 relative to the FY2014 enacted level. The increase includes the increase in the core instruction per pupil from \$8,897 to \$8,966 (\$1.5 million), the state share ratio updates (\$1.8 million), the increase in Free and Reduced Lunch participation (\$1.0 million), full-day kindergarten (\$1.4 million), charter school growth (\$7.9 million), and the cost of the fourth year of the ten year transition period (\$19.4 million).

Categorical Funds**\$3.1 million**

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. (*The Central Falls Stabilization Fund is addressed in the Central Falls section of this analysis.*)

The Governor's FY2015 Budget includes scheduled funding for all of these categories.

Categorical	Change from Enacted
Transportation	\$1.1
High-Cost Special Education	0.5
Career & Tech. Schools	0.5
Early Childhood	1.0
Regionalization Bonus	-
Total	\$3.1

\$ in millions.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$4.4 million in FY2015, an increase of \$1.1 million over the FY2014 Budget as Enacted.
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The state reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$62,760 for FY2015). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$1.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.
- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools. The Governor recommends funding this category at \$3.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor recommends funding this category at \$3.0 million in FY2015, an increase of \$1.0 million over the FY2014 Budget as Enacted.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends no funding in FY2015, the fourth year of funding for the regionalized districts, as no new regional districts have been formed. This recommendation represents level funding from the FY2014 Budget as Enacted.

Group Homes**(\$1.0 million)**

The Governor's FY2015 budget includes \$6.1 million to fund group home beds. This is \$1.0 million less than the FY2014 Budget as Enacted, and represents a decrease of 19 beds (4.1 percent) system wide, a decrease of \$285,000. This reduction also includes a decrease of \$752,767, required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. The Governor believes this adjustment is best shown in the group home aid category where it will be easier to identify, rather than in the formula calculator. This is a new adjustment to comply with current law.

Group Home Aid

LEA	FY2014 Enacted	FY2014 Revised	FY2015 Governor Aid based on bed count	Number of Beds	Change from Enacted		Total Change	FY2015 Governor Total Aid
					Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		
Burrillville	\$330,000	\$330,000	\$300,000	(2)	(\$30,000)	(\$33,639)	(\$63,639)	\$266,361
Coventry	120,000	120,000	120,000	-	-	(12,117)	(12,117)	107,883
Cranston	60,000	60,000	60,000	-	-	(6,818)	(6,818)	53,182
East Providence	636,000	636,000	636,000	-	-	(60,725)	(60,725)	575,275
Johnston	120,000	120,000	-	(8)	(120,000)	-	(120,000)	-
Lincoln	135,000	135,000	135,000	-	-	(11,174)	(11,174)	123,826
Middletown	420,000	420,000	390,000	(2)	(30,000)	(15,344)	(45,344)	374,656
Newport	270,000	270,000	270,000	-	-	(15,086)	(15,086)	254,914
North Providence	240,000	240,000	240,000	-	-	(28,181)	(28,181)	211,819
North Smithfield	120,000	120,000	120,000	-	-	(9,022)	(9,022)	110,978
Pawtucket	735,000	735,000	735,000	-	-	(128,146)	(128,146)	606,854
Portsmouth	555,000	555,000	555,000	-	-	(7,524)	(7,524)	547,476
Providence	2,055,000	2,055,000	1,890,000	(11)	(165,000)	(348,093)	(513,093)	1,541,907
Smithfield	240,000	240,000	240,000	-	-	(6,247)	(6,247)	233,753
South Kingstown	315,000	315,000	315,000	-	-	(6,966)	(6,966)	308,034
Warwick	330,000	330,000	330,000	-	-	(28,530)	(28,530)	301,470
Woonsocket	120,000	120,000	120,000	-	-	(21,130)	(21,130)	98,870
Bristol-Warren	120,000	120,000	120,000	-	-	(5,267)	(5,267)	114,733
Exeter-West Greenwich ¹	210,000	270,000	270,000	4	60,000	(8,758)	51,242	261,242
Total	\$7,131,000	\$7,191,000	\$6,846,000	(19)	(\$285,000)	(\$752,767)	(\$1,037,767)	\$6,093,233

¹ The 4 bed increase was reported in the December 31, 2013, DCYF Group Home Report; and consequently, the \$60,000 increase in Group Home Aid will be applied to the FY2014 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

School Breakfast Program**(\$270,000)**

Through Article 28, the Governor makes the State appropriation of funds for the reimbursement of administrative costs associated with the school breakfast program permissive instead of mandatory. These administrative costs include hiring servers to run the program and encourage participation. Current law requires an annual appropriation even if it does not cover all the expenses. According to the Department, the statewide food contract established in FY2009 has saved districts approximately \$1.3 million annually in administrative fees. The Governor recommends \$270,000 in savings due to the elimination of this funding in FY2015.

Non-Public Textbook Reimbursement Fund**(\$240,000)**

Through Article 28, the Governor eliminates the State's reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools. Elimination of this fund would shift the cost of these textbooks to the resident districts.

According to the Department, though the textbook reimbursement is eliminated, the Governor's FY2015 Budget increases funding for districts to pay for costs associated with the non-public students through the transportation categorical fund. For districts that participate in the state transportation system, the transportation categorical fund includes an increase of approximately \$533,000, for a total of \$2.1 million, for costs associated with transporting non-public school students out of district. FY2015 is the fourth year of the phase-in of this categorical; consequently, the \$2.1 million in the budget represents approximately 46.0 percent of actual district cost for non-public transportation.

Charter School Growth**Informational**

The Governor's FY2015 budget includes \$63.1 million for public charter schools, an increase of \$8.0 million from the FY2014 Budget as Enacted. The Governor's FY2015 Budget includes \$5.8 million for the following charter school growth:

- Achievement First, which is located in Providence and enrolls 176 students from Cranston, North Providence, Providence and Warwick, will add a second grade, another kindergarten, and another first grade (264 new students).
- Highlander, which is located in Providence and enrolls 352 students, will add a 10th grade (40 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,020 students, will add a third and ninth grade (180 new students).
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 136 students, will add an eleventh grade (34 new students).
- Village Green, a virtual charter high school located in Providence currently enrolls 132 from around the state, will add an eleventh grade (68 new students).

The Governor also includes \$2.1 million in funding for new charter schools scheduled to open in FY2015.

- Engineering Early College, which will be located in and enroll students from Providence, will have grades nine through twelve, starting with 100 students in FY2015 and adding 100 students each year until reaching a maximum enrollment of 400 students.
- Hope Academy, a mayoral academy that will be located in Providence and enroll students from North Providence and Providence, will have kindergarten through eighth grades, starting with 72 students in kindergarten and first grade and adding grades until reaching a maximum enrollment of 324 students.
- Southside Elementary, which will be located in and enroll students from Providence, will have kindergarten through fifth grades, starting with 24 students and adding grades until reaching a maximum enrollment of 144.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2015, the minimum state share is 35.0 percent for school districts and the maximum is 95.7 percent: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently

inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to re-finance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015.

Housing Aid/ School Construction Aid	General Revenue
FY2014 Enacted	\$69,949,504
<i>Target and Other Adjustments</i>	
Housing Aid	(2,000,000)
FY2015 Governor	\$67,949,504

Housing Aid **(\$2.0 million)**

The Department estimates that school housing aid will decrease by \$2.0 million in FY2015 due to projects not being completed on schedule. Similarly, the Governor reduces FY2014 aid by \$2.3 million from the FY2014 Budget as Enacted level.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2014 Enacted	\$81,691,253
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	8,136,724
Defined Contribution Plan	1,419
FY2015 Governor	\$89,829,396

Defined Benefit Plan **\$8.1 million**

Governor recommends total funding of \$86.1 million for the state's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$8.1 million from FY2014 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund.

Defined Contribution Plan**\$1,419**

The Governor recommends \$3.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$1,419 from FY2014 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contributions. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Governor recommends a total of \$11.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2014 and \$5.9 million in FY2015, including:

- \$1.8 million in FY2014 and \$3.2 million in RICAP funding in FY2015 for capital repairs at five career and technical schools (Cranston, East Providence, Newport, Warwick, and Woonsocket).
- \$1.0 million in FY2014 and \$1.2 million in RICAP funding in FY2015 to replace and repair the HVAC system at the Davies Career and Technical School.
- \$1.3 million in FY2014 and \$1.2 million in RICAP funding in FY2015 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.
- \$5.5 million in total RICAP funding in FY2014 to complete the construction of the East Bay Metropolitan Regional Career and Technical.

Public Higher Education

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of the Postsecondary Commissioner ¹	\$9.9	\$11.2	\$10.0	(\$1.2)	-10.4%	\$10.1	(\$1.0)	-9.3%
University of Rhode Island	687.1	729.1	733.3	4.2	0.6%	736.9	7.8	1.1%
Rhode Island College	158.2	166.2	166.9	0.7	0.4%	169.3	3.1	1.9%
Comm. College of Rhode Island	153.3	151.0	152.5	1.5	1.0%	156.4	5.4	3.6%
Total	\$1,008.4	\$1,057.5	\$1,062.7	\$5.2	0.5%	\$1,072.7	\$15.2	1.4%
Expenditures by Source								
General Revenue	\$172.7	\$180.0	\$179.1	(\$0.9)	-0.5%	\$191.7	\$11.7	6.5%
Federal Funds	4.0	6.2	5.0	(1.2)	-18.7%	5.1	(1.1)	-17.7%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.6	(0.1)	-8.3%
Other Funds	831.1	870.6	877.9	7.3	0.8%	875.2	4.7	0.5%
Total	\$1,008.4	\$1,057.5	\$1,062.7	\$5.2	0.5%	\$1,072.7	\$15.2	1.4%
Third Party Funded FTE	776.2	776.2	661.3	(114.9)	-14.8%	642.9	(133.3)	-17.2%
Authorized FTE Levels	3,464.8	3,471.8	3,585.7	113.9	3.3%	3,604.1	132.3	3.8%
Total Authorized Positions		4,248.0	4,247.0	(1.0)	0.0%	4,247.0	(1.0)	0.0%

¹ Formerly the Office of Higher Education.

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The Board is not a department of state government, but rather an independent public corporation, which acts in concert and cooperation with the executive and legislative branches. The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

MAJOR ISSUES AND TRENDS FOR FY2015

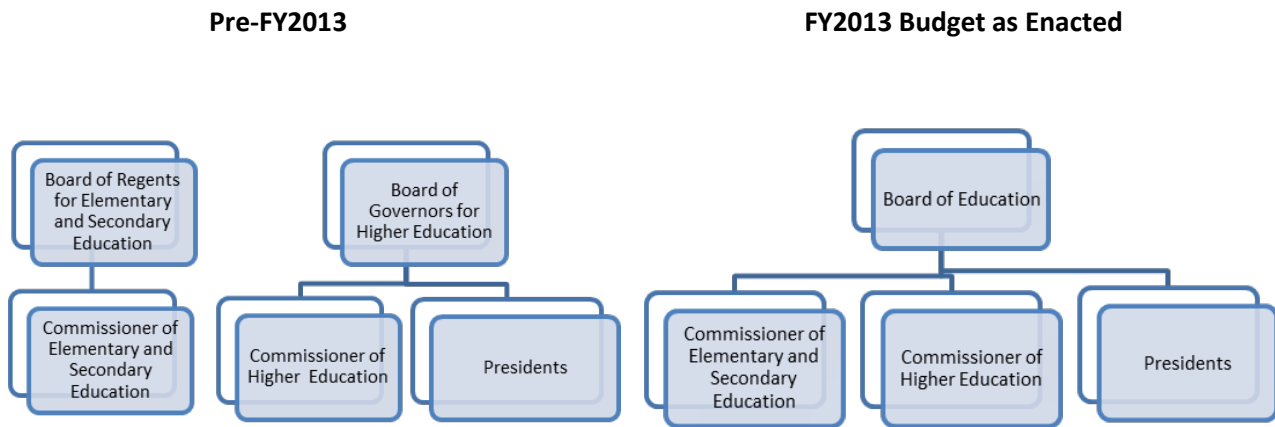
The Governor's FY2015 budget proposal includes total funding of \$1,072.7 million, representing an increase of \$15.2 million (1.4 percent) over the FY2014 Budget as Enacted, including a general revenue increase of \$11.7 million (6.5 percent). Of the \$11.7 million general revenue increase, \$10.0 million is intended to ensure that each of the three institutions maintain tuition in the 2014/2015 academic year at the same level as the 2013/2014 academic year. The additional \$10.0 million is distributed as follows: \$5.3 million for URI, \$3.7 million for RIC, and \$1.0 million for CCRI. The institutions are also required to maintain internal student aid at the 2013/2014 academic year level.

Federal funds decrease in FY2015 by \$1.1 million from the FY2014 Budget as Enacted. Major changes include a decrease of \$1.0 million for the College Access Challenge Grant (from \$2.5 million to \$1.5 million), and a decrease of \$157,790 in the Gaining Early Awareness for Undergraduate Program.

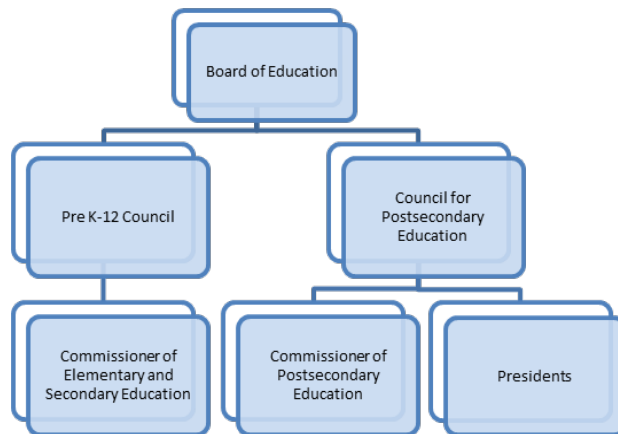
Higher Education Governance

The FY2013 Budget as Enacted includes language to enhance coordination between higher and lower education to close the skills gap and make high school and college graduates more competitive and marketable. The Budget established a new Board of Education by January 1, 2013, and the current boards were abolished as of January 1, 2013. The legislation abolished the Office of Higher Education by July 1, 2014, and requires the newly established Board of Education to submit a plan to the Governor and the General Assembly by July 1, 2013, that restructures the administration of higher education by distributing the assets and responsibilities of the current Office of Higher Education to the institutions of higher education.

In late December 2013, the Board submitted its restructuring plan to the Governor, and many of its recommendations are included in Article 20 of the Governor’s FY2015 budget proposal.



Article 20 Changes to Education Governance Structure



In order to continue and complete the restructure of education governance, the Governor makes the following modifications to the changes enacted in FY2013:

Board of Education: Maintains a single Board of Education, with powers and duties set forth in RIGL 16-97-.2, including adopting a strategic plan and setting system-wide goals and priorities for the entire public education system, and holding the system accountable for performance. The Board of Education is

responsible to coordinate and increase efficiencies throughout the education system so that workforce skills are strengthened. The Board will also provide leadership on issues such as:

- College and career readiness, focusing on reducing remedial instruction
- Implementation of Common Core Standards, especially teacher preparation, assessment and evaluations
- Driving policy to promote post-secondary success, e.g., dual enrollment, degree in 3, credit for work experience, performance and incentive financing
- Adult education and certificate programs offered by secondary schools and the community college

Councils: Creates the Pre K-12 Council and the Council on Postsecondary Education, each comprised of seven members, who also serve on the Board of Education.

The Pre K-12 Council will have duties and responsibilities per RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents for Elementary and Secondary Education. It will be required to formulate policy for early, elementary and secondary education including:

- Adopt standards
- Implement and enforce regulations
- Exercise general supervision over elementary and secondary education
- Distribute aid to local education authorities
- Appoint a Commissioner

The Council on Postsecondary Education will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education, including:

- Ensuring institutional accountability
- Supporting accreditation
- Granting tenure
- Appointing the Commissioner of Postsecondary Education and the college and university presidents
- Overseeing tuition, budget, and capital financing
- Assuring credit portability and recovery
- Promoting alignment and efficiencies among the institutions

Delegated Authority: Delegates the following responsibilities and duties, previously held by the Board of Governors for Higher Education, and later the responsibility of the Board of Education, to the State's public college and university presidents:

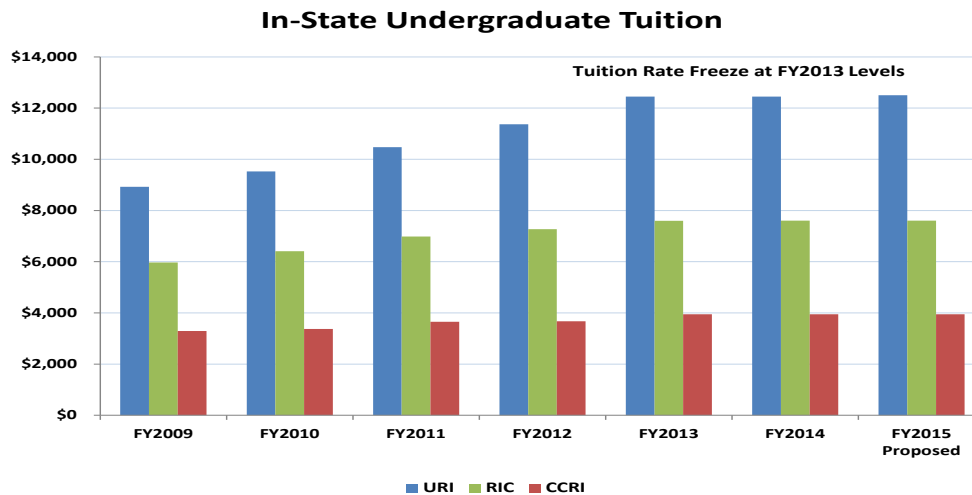
- Ability to create and consolidate departments, divisions, programs and courses of study within the school with the assistance of the Commissioner of Postsecondary Education
- Adopt a budget and submit it to the Council on Postsecondary Education
- Manage property
- Recommend tables or organization to the Council on Postsecondary Education
- Submit an annual report to the Office of the Postsecondary Education, for presentation to the Council for Postsecondary Education, which provides information regarding the tenure, ethnicity, rank and gender of the faculty. The report will also include a report on current student enrollments for each

class at the school by race, gender, academic department, outreach program, guarantee admissions program and the current levels of funding and staff of support for each of these programs.

Office of the Postsecondary Commissioner: Creates an Office of the Postsecondary Commissioner to take the place of the Office of Higher Education, which will be abolished July 1, 2014. The Office will have the same duties and responsibilities as the Office of Higher Education, and the Governor recommends 12.8 FTE positions for the Office of Postsecondary Education, consistent with the staffing levels at the existing Office of Higher Education.

Tuition Revenue Trends

Actual tuition and fee rates, by institution, along with a projection for FY2014 and FY2015, are shown in the graph below.



Personnel

The Governor's recommendation decreases the overall 4,252.0 FTE position cap, which includes the Limited Service Employee (LSE) position cap for Higher Education, by 1.0 FTE positions.

- The Governor includes funding for 12.4 FTE positions at the University, including 5.0 FTE positions associated with the new Anna Fascitelli Fitness and Wellness Center, 1.0 Assistant to the Provost, 2.0 Lecturers, 3.0 Professors, 0.4 Housekeeper, and 1.0 Coordinator G-010.
- The Governor includes funding for Community College of Rhode Island for 6.0 FTE adjunct faculty positions to be converted to full-time positions. The College had requested 4.0 new faculty positions in the Math and English Departments to address the need and high demand for remedial course offerings. The Governor did not include funding for these 4.0 FTE positions in his budget proposal.
- The Governor's FY2015 Budget proposal converts a total of 132.3 FTE positions from third party funded research positions to non-research positions, over the FY2014 Budget as Enacted. The intent was to provide FTE positions in general education, without increasing the overall FTE cap. The Governor also provides 12.8 FTE positions for the Office of the Postsecondary Commissioner, an Office created by Article 20 of the proposed budget. This Office replaces the Office of Higher Education, which was scheduled to be eliminated on July 1, 2014.

Vacant Higher Education Positions									
		FTE	FTE	FTE	FTE	LSE	LSE	LSE	LSE
		Authorized	Filled	Vacant	% Vacant	Authorized	Filled	Vacant	% Vacant
OHE	Jan-13	15.8	12.0	3.8	24.1%	1.0	0.0	1.0	100.0%
	Jan-14	12.8	10.0	2.8	21.9%	1.0	0.0	1.0	100.0%
URI	Jan-13	1857.3	1818.7	38.6	2.1%	593.2	477.4	115.8	19.5%
	Jan-14	1863.3	1828.7	34.6	1.9%	593.2	474.1	119.1	20.1%
RIC	Jan-13	837.6	805.4	32.2	3.8%	82.0	65.8	16.2	19.8%
	Jan-14	841.6	799.6	42.0	5.0%	82.0	6.6	75.4	92.0%
CCRI	Jan-13	754.1	699.6	54.5	7.2%	100.0	56.7	43.3	43.3%
	Jan-14	754.1	699.7	54.4	7.2%	100.0	56.5	43.5	43.5%
Total	Jan-13	3,464.8	3,335.7	129.1	3.7%	776.2	599.9	176.3	22.7%
	Jan-14	3,471.8	3,338.0	133.8	3.9%	776.2	537.2	239.0	30.8%

- Limited Service Employees (LSE), also referred to as Third Party Funded positions or sponsored positions, are funded through private, federal, and grant revenues. These positions are unique to the Higher Education system. They typically have a higher vacancy rate because of the duration of grants that fund the positions and the uncertainty of employment on “soft money” (grant funding).

OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures by Source ¹	FY2013	FY2014	FY2014	Change from	FY2015	Change from
	Actual	Enacted	Governor	Enacted	Governor	Enacted
General Revenue	\$5.8	\$5.0	\$5.0	(\$0.0) -0.1%	\$5.1	\$0.1 1.2%
Federal Funds	4.0	6.2	5.0	(1.2) -18.7%	5.1	(1.1) -17.7%
Total	\$9.9	\$11.2	\$10.0	(\$1.2) -10.4%	\$10.1	(\$1.0) -9.3%

¹ The figures for FY2013 and FY2014 are for the Office of Higher Education, which is being replaced in FY2015 by the Office of the Postsecondary Commissioner.

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

The Office of the Postsecondary Commissioner, formerly the Office of Higher Education, houses the Commissioner of Higher Education, three Associate Commissioners, legal staff, financial and audit support, and several positions supporting specific programs, such as early college access and veterans affairs. The Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The FY2013 Budget as Enacted required the Board of Education to submit a plan to the Governor and the General Assembly restructuring the administration of higher education by distributing the assets and responsibilities of the Office of Higher Education to the institutions of higher education, thereby abolishing the Office of Higher Education by July 1, 2014. The Governor’s FY2015 Budget proposal changes the name of the Office to the Office of the Postsecondary Commissioner but does not change the form or function of the Office.

Role and Function

A board with broad powers of oversight and coordination in the areas of finance, policy, and academics has existed in some form or another since 1939, when the Board of Trustees of State Colleges was established by the General Assembly. This oversight and coordination function is held by the Rhode Island Board of Education (BOE), which was created by the General Assembly in 2013. The Office of the Postsecondary Commissioner would be the administrative arm for the postsecondary functions of the Board of Education and is to be headed by the Commissioner of Higher Education.

Office of the Postsecondary Commissioner	General Revenue
FY2014 Enacted	\$4,994,523
<i>Target and Other Adjustments</i>	<i>59,972</i>
FY2015 Governor	\$5,054,495

Office of the Postsecondary Commissioner	Other Fund Changes
College Access Challenge Grant	(\$1,000,000)

College Access Challenge Grant (federal funds) (\$1.0 million)

The Governor includes \$1.5 million for the College Access Challenge Grant in FY2015, a decrease of \$1.0 million in federal funds from the FY2014 Budget as Enacted, based on projected expenditures. The grant funds are to provide professional development for school counselors, college admissions and financial aid administrators to increase postsecondary attainment for more students. This is the fourth year of funding for this five-year grant.

UNIVERSITY OF RHODE ISLAND

Expenditures by Source	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$78.6	\$85.7	\$85.3	(\$0.4)	-0.4%	\$91.5	\$5.8	6.8%
Other Funds	608.5	643.4	647.5	4.1	0.6%	644.7	1.3	0.2%
Total	\$687.1	\$729.1	\$732.8	\$3.7	0.5%	\$736.2	\$7.1	1.0%

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

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has three campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; and the Providence Campus, located in the Shepard Building on Washington Street in Providence.

University of Rhode Island	General Revenue
FY2014 Enacted	\$85,698,666
<i>Target and Other Adjustments</i>	<i>247,199</i>
Salaries, Wages and Benefits	3,840,213
Student Aid	1,717,910
Approved Bond Issues	Informational
Enrollment	Informational
Tuition and Fees	Informational
FY2015 Governor	\$91,503,988

Salaries, Wages and Benefits**\$3.8 million**

The Governor includes funding for 12.4 FTE positions at the University, including 5.0 FTE positions Associated with the new Anna Fascitelli Fitness and Wellness Center, 1.0 Assistant to the Provost, 2.0 Lecturers, 3.0 Professors, 0.4 Housekeeper, and 1.0 Coordinator G-010. The Governor's FY2015 budget converts 92.0 FTE positions from third party funded research positions to non-research positions. The intent is to provide FTE positions in general education, without increasing the overall FTE cap. The Budget includes an additional \$3.8 million in general revenue for personnel costs (\$10.4 million all funds), primarily representing \$1.9 million in salaries and wages, \$1.1 million in additional health care costs, and \$450,244 in additional retirement costs.

Student Aid**\$1.7 million**

The Governor recommends a total of \$99.8 million (all funds) for student aid in FY2015, an increase of \$6.7 million above the FY2014 Budget as Enacted. This includes \$20.3 million in general revenue, an increase of \$1.7 million over the FY2014 Budget as Enacted, with the balance from other funds, including tuition and fee revenue. In an attempt to attract and retain its student population, institutionally-supported student aid has increased, indicated by a corresponding increase in student aid as a percentage of total tuition and fee revenue.

The Governor seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Governor's proposed budget requires the of each institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

Student Aid/Tuition and Fee Revenue

	FY2011	FY2012	FY2013	FY2014 Enacted	FY2015 Projected	FY2015 Change from FY2011	FY2015 Change from FY2014
Student Aid	\$69.2	\$77.3	\$83.8	\$93.0	\$99.8	\$30.6	\$6.7
Tuition and Fee Revenue	232.0	245.3	263.9	267.0	269.3	5.4	2.3
Student Aid as a % of							
Tuition and Fee Revenue	29.8%	31.5%	31.8%	34.8%	37.0%	-	-

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

Approved Bond Issue – Chemistry Building**Informational**

In November 2010, the voters approved a \$61.0 million general obligation bond issue to design and construct a new building to house the Department of Chemistry, accommodating teaching labs and classrooms, research labs, and faculty and administrative offices. The \$61.0 million G.O. bonds will be distributed as \$19.9 million in FY2014, \$37.9 million in FY2014, and \$2.9 million in FY2015. \$308,539 was spent on this project prior to FY2014. Construction is underway, with a scheduled completion date of Fall 2015.

Enrollment**Informational**

Between FY2007 and FY2014, enrollment at URI has increased by 1,832.0 FTE students, or 14.4 percent. The increase in enrollment over the eight-year period averages 2.2 percent annually (1.8 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

URI Student Enrollment, 2007-2015 Projected				
Year	Headcount	Headcount % Change	FTE	FTE % Change
2007	15,046	2.5%	12,714	3.6%
2008	15,754	4.7%	13,351	5.0%
2009	15,956	1.3%	13,702	2.6%
2010	16,496	3.4%	14,206	3.7%
2011	16,511	0.1%	14,195	-0.1%
2012	16,563	0.3%	14,252	0.4%
2013	16,670	0.6%	14,315	0.4%
2014 Projected	16,850	1.1%	14,546	1.6%
2015 Projected	16,742	-0.6%	14,447	-0.7%
8-Year Average	16,231	1.8%	13,910	2.2%

Tuition and Fees**Informational**

The Governor seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Governor requires each higher education institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

URI Tuition & Fees, 2011-2015

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015	Change from	Change from
						FY2011	FY2014
In-State	\$10,476	\$11,366	\$12,450	\$12,450	\$12,506	\$2,030	\$56
Out-of-State	27,182	27,454	28,016	28,016	28,072	890	56
Graduate¹							
In-State	\$10,870	\$11,794	\$12,920	\$12,920	\$12,974	\$2,104	\$54
Out-of-State	24,250	24,492	24,994	24,994	25,048	798	54

¹ The Memorial Union Fee will increase \$4.00 per year for undergraduate students and \$2.00 per year for graduate students.

While the University is not requesting any tuition increases in FY2015, the University plans to increase several mandatory and non-mandatory fees including: an increase of \$4 in the Student Union Fee, an increase of \$4 in the Health Services Fee, and a new \$48 Health and Wellness Center Fee. Also, the average cost for room and board will increase by \$166 per year. Auxiliary charges, including the Bookstore, Dining Services, Health Services, Housing and Residential Life, and Student Union fees are projected to generate \$93.2 million in revenue in FY2015.

RHODE ISLAND COLLEGE (RIC)

Expenditures by Source	FY2013	FY2014	FY2014	Change from	FY2015	Change from
	Actual	Enacted	Governor	Enacted	Governor	Enacted
General Revenue	\$41.7	\$42.9	\$42.5	(\$0.4)	\$47.2	\$4.3 10.0%
Other Funds and Transfers	116.6	123.3	124.4	1.1	122.1	(1.2) -0.9%
Total	\$158.2	\$166.2	\$166.9	\$0.7	\$169.3	\$3.1 1.9%

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

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor's and Master's level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Association of Schools and Colleges, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education

and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

Rhode Island College	General Revenue
FY2014 Enacted	\$42,891,874
<i>Target and Other Adjustments</i>	
Personnel	1,917,577
Approved Bond Issues	2,361,774
Enrollment	Informational
Tuition and Fees	Informational
FY2015 Governor	\$47,171,225

Personnel **\$2.4 million**

The Governor's FY2015 Budget proposal recommends an increase of \$2.4 million for personnel costs funded by general revenue. This includes \$1.7 million for salaries (predominantly in the temporary and seasonal job category), \$142,543 for health benefits, \$298,184 for retirement benefits, and \$191,484 in other personnel costs. The Governor does not include any new FTE positions for FY2015.

Approved Bond Issues **Informational**

In November 2012, voters approved a \$50.0 million general obligation bond referendum for capital improvements at Rhode Island College (RIC).

General obligation funds of \$44.7 million will be used to modernize and rehabilitate two major academic buildings (Craig Lee Hall, Gaige Hall). Design work is expected to be complete by Fall 2014. Proposed renovations include modern single pane window walls, elevators, restrooms, classrooms, corridors, staff offices, removal of asbestos tiles, exterior power washing and sealing of bricks and slate walls. All improvements will increase energy efficiency, the use of natural light, and the adaptability of the classrooms.

The remaining \$5.3 million of this bond issue will be used for an addition and renovations to the Fogarty Building to support the expanding Life Sciences program. The goal of the project is to provide adequate and up-to-date classrooms, laboratories and faculty offices. The renovation/addition work includes improvements to the building envelope, interior spaces, handicapped accessibility, and upgrades to the HVAC and electrical systems. Construction will begin in FY2015.

Enrollment **Informational**

Between FY2007 and FY2014, enrollment at RIC has increased by 279.0 FTE students, or 4.4 percent. Growth accelerated in the second half of the decade, peaking in FY2010; however, enrollment has decreased by 404 students, or 5.7 percent, since that time. The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

RIC Student Enrollment, 2007-2015 Projected				
Year	Headcount	Headcount % Change	FTE	FTE % Change
2007	8,662	-0.4%	6,411	-3.2%
2008	8,800	1.6%	6,710	4.7%
2009	8,790	-0.1%	6,742	0.5%
2010	9,063	3.1%	7,094	5.2%
2011	8,990	-0.8%	7,006	-1.2%
2012	9,095	1.2%	6,886	-1.7%
2013	8,530	-6.2%	6,810	-1.1%
2014 Projected	8,530	0.0%	6,690	-1.8%
2015 Projected	8,530	0.0%	6,690	0.0%
8-Year Average	8,808	-0.2%	6,794	0.2%

Of the total FTE students enrolled in 2007, 5,916 (92.3 percent) were in-state students while 655 (7.7 percent) were out-of-state students. In 2014, 5860 (87.6 percent) were in-state students while 830 (12.4 percent) were out-of-state students.

Tuition and Fees

Informational

The Governor seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Governor requires each higher education institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

RIC Tuition & Fees, 2011-2015

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015	Change from		Change from		
					Projected	FY2011	FY2014			
In-State	\$6,986	\$7,268	\$7,598	\$7,602	\$7,602	\$616	8.8%	\$0	0.0%	
Out-of-State	16,878	17,554	18,296	18,300	18,300	1,422	8.4%	\$0	0.0%	
Graduate										
In-State	\$6,674	\$6,962	\$7,250	\$7,250	\$7,250	\$576	8.6%	\$0	0.0%	
Out-of-State	12,578	13,082	13,586	13,586	13,586	1,008	8.0%	\$0	0.0%	

The Governor's FY2015 Budget proposal does not include an increase in tuition or fees at Rhode Island College, either for in-state or out-of-state students, undergraduate or graduate students. However, the cost for a meal plan will increase by \$120 per year and room rates will increase by \$163 to \$188, depending on the residence.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures by Source	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$46.6	\$46.4	\$46.3	(\$0.2)	-0.3%	\$48.0	\$1.6	3.4%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.6	(0.1)	-8.3%
Other Funds	106.1	103.9	105.5	1.6	1.5%	107.7	3.9	3.7%
Total	\$153.3	\$151.0	\$152.5	\$1.5	1.0%	\$156.4	\$5.4	3.6%

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

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Shepard Building in downtown Providence and at Westerly Middle School.

Community College of Rhode Island	General Revenue
FY2014 Enacted	\$46,428,732
<i>Target and Other Adjustments</i>	
Personnel	(367,960)
Enrollment	1,948,483
Tuition and Fees	Informational
FY2015 Governor	\$48,009,255

Personnel**\$1.9 million**

The Governor's Budget proposal includes funding for the 6.0 FTE adjunct faculty positions to be converted to full-time. The Governor's FY2015 budget converts 41.3 FTE positions from third party funded research positions to non-research positions, over the FY2014 Budget as Enacted. The intention was to grant CCRI's request for additional general education FTEs without increasing the total FTE positions within the College. The College had requested 4.0 new faculty positions in the Math and English Departments to address the need and high demand for remedial source offerings. The Governor did not include funding for these 4.0 FTE positions in his budget proposal.

The Governor adds \$1.9 million in general revenue for personnel costs (\$2.9 million all funds), including \$499,980 to fund the additional 6.0 FTE positions, and an additional \$1.0 million for step increases and other contractual obligations. Healthcare and retirement costs increase by \$700,870.

Enrollment**Informational**

Between FY2007 and FY2014, enrollment at CCRI increased by 950.0 FTE students, or 9.9 percent. The increase in enrollment over the eight-year period averages 1.8 percent annually (1.7 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

CCRI Student Enrollment, 2007-2015 Projected				
Year	Headcount	Headcount % Change	FTE	FTE % Change
2007	15,739	2.7%	9,641	4.9%
2008	16,369	4.0%	10,059	4.3%
2009	16,810	2.7%	10,330	2.7%
2010	17,476	4.0%	10,771	4.3%
2011	16,810	-3.8%	10,523	-2.3%
2012	17,116	1.8%	10,591	0.6%
2013	17,226	0.6%	10,523	-0.6%
2014 Projected	17,541	1.8%	10,591	0.6%
2015 Projected	17,543	0.0%	10,498	-0.9%
8-Year Average	16,886	1.7%	10,379	1.8%

Tuition and Fees**Informational**

The Governor seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Governor requires each higher education institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

CCRI Tuition & Fees, 2011-2015

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015	Change from	Change from
						FY2011	FY2014
In-State	\$3,652	\$3,676	\$3,950	\$3,950	\$3,950	\$298	\$0
Out-of-State	9,792	9,816	10,582	10,582	10,582	790	-

For FY2015, tuition and fees at CCRI will remain at the FY2014 rate. Given the statistically insignificant number of out-of-state students at CCRI, the in-state tuition increase represents the true cost of a CCRI education.

CAPITAL PROJECTS

In addition to the projects financed with bond issues mentioned above, there are a number of significant capital projects in Higher Education in FY2015.

URI, RIC, CCRI – Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. The Governor recommends a total of \$77.4 million in asset protection funding for URI, RIC, and CCRI from FY2014 to FY2019.

University of Rhode Island

Nursing Education Center: The Governor's budget proposal includes a total of \$2.5 million in RICAP funding for Nursing Education facilities. A portion of this funding (\$500,000) will be used in FY2014 for project management and legal services to support a new nursing education building in Providence, to be used jointly by the University of Rhode Island (URI), Rhode Island College (RIC), and Brown University. The balance of these funds (\$2.0 million) will be used to renovate White Hall, which houses the nursing school at the University of Rhode Island's Kingston campus.

Fire Safety and Protection Academic and Administrative Buildings: The Governor recommends \$10.1 million in FY2014 and \$3.3 million in FY2015 in RICAP funding to install sprinkler systems and upgrade existing fire alarm systems in all of the University's academic and administrative buildings and administrative buildings in order to comply with the State Fire Code.

University Inn, Admissions, Housing and Retail: The Governor includes \$57.0 million in third party financing and \$2.2 million in University funds, beginning in FY2015, to develop a mixed use University Inn on the east side of Upper College Road, including facilities for a 100 bed hotel, 20 two-bedroom apartments, a restaurant/University Club, a retail bookstore, conference space, and University Admissions public spaces.

Rhode Island College

Infrastructure Modernization: The Governor recommends RICAP funds and College Funds to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. The project expends \$18.7 million in RICAP funds and \$189,260 in University/College Funds through FY2019.

Energy Performance Contract: The Governor includes \$7.5 million in Certificates of Participation (COPs) from FY2013 through FY2015 and \$200,000 in University Funds in FY2014 for projects related to an Energy Performance Contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure.

Community College of Rhode Island

Knight Campus Renewal: The Governor recommends a total of \$20.1 million in RICAP funding from FY2014 through FY2018 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile.

Rhode Island State Council on the Arts

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
State Council on the Arts	\$1,935,530	\$1,853,838	\$1,835,150	(\$18,688)	-1.0%	\$1,860,385	\$6,547	0.4%
Grants Program	1,159,157	911,657	911,657	-	0.0%	1,911,657	1,000,000	109.7%
Total	\$3,094,687	\$2,765,495	\$2,746,807	(\$18,688)	-0.7%	\$3,772,042	\$1,006,547	36.4%
Expenditures by Source								
General Revenue	\$1,561,217	\$1,335,630	\$1,317,591	(\$18,039)	-1.4%	\$2,340,158	\$1,004,528	75.2%
Federal Funds	713,635	797,329	796,680	(649)	-0.1%	799,348	2,019	0.3%
Other Funds	819,835	632,536	632,536	0	0.0%	632,536	0	0.0%
Total	\$3,094,687	\$2,765,495	\$2,746,807	(\$18,688)	-0.7%	\$3,772,042	\$1,006,547	36.4%
Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	6.0	-	0.0%

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor further develops the State's creative economy through increased the coordination between RISCA with the State's broader economic development efforts. Article 5 of the Governor's budget proposes a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. RISCA will serve in consultation with Commerce Corporation of Rhode Island to administer this new program.

Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program will offer matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects. Unlike the State Preservation Grants Program which is administered by the Historic Preservation and Heritage Commission, however, the Commerce Corporation of Rhode Island, rather than RISCA, will develop rules and regulations to administer this grant program.

The Governor also proposes to move the RISCA offices from One Capitol Hill to collocate with the Commerce Corporation at 315 Iron Horse Way. RISCA would remain a separate State agency with its own budget.

The Governor recommends 6.0 FTE positions for FY2015, consistent with the FY2014 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2014 Enacted	\$1,335,630
<i>Target and Other Adjustments</i>	<i>4,528</i>
Creative and Cultural Economy - Advertising	1,000,000
1.0 Percent for Public Art Program	Informational
FY2015 Governor	\$2,340,158

Creative and Cultural Economy – Advertising

\$1.0 million

The Governor includes \$1.0 million in new assistance and grants for advertising along transportation corridors, gateways and districts to develop the creative and cultural economy in Rhode Island. RISCA

will collaborate with the Department of Transportation, the Historical Preservation and Heritage Commission, and the Commerce Corporation as well as with municipalities and regional convention and visitor bureaus to determine placement of art, signage, and cultural interpretation.

1% for Public Art Program

Informational

The Rhode Island State Council on the Arts administers the State's 1% for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1% is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

1% for Public Art Program - 2011 to Present	Location	Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
<i>Current Projects (Budget)</i>		
Intermodal Station	Warwick	300,000
Wickford Junction	Wickford	350,000
URI - Biotechnology and Life Sciences	Kingston	651,000
Rhode Island College - Art Center	Providence	170,000
Met School	Providence	78,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Veterans Home	Bristol	700,000
Total		\$3,747,020

Rhode Island Atomic Energy Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Atomic Energy Commission	\$1,230,680	\$1,436,731	\$1,225,471	(\$211,260)	-14.7%	\$1,271,174	(\$165,557)	-11.5%
Expenditures by Source								
General Revenue	\$829,034	\$861,710	\$856,770	(\$4,940)	-0.6%	\$913,197	\$51,487	6.0%
Federal Funds	132,451	267,044	60,724	(206,320)	-77.3%	-	(267,044)	-100.0%
Other Funds	269,195	307,977	307,977	-	0.0%	357,977	50,000	16.23%
Total	\$1,230,680	\$1,436,731	\$1,225,471	(\$211,260)	-14.7%	\$1,271,174	(\$165,557)	-11.5%
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	-	0.0%

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

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study that enrolls about 80 students per year. It has plans to create a full nuclear engineering degree program.

MAJOR ISSUES AND TRENDS FOR FY2015

The proposed FY2015 budget decreases federal funds by \$267,044 primarily due to the loss of the U.S. Department of Energy's Nuclear Energy University Programs (NEUP) grant, which has provided a total of approximately \$500,000 over the past five years to upgrade the facility's instrumentation. This reduction will not impact the Commission's day to day operations.

A recent assessment of the facility performed through the Nuclear Regulatory Commission's Global Threat Reduction Initiative determined that an upgrade to the Commission's IT system is required in order to install video security equipment and harden the nuclear reactor facilities against threats. The FY2014 revised budget includes \$10,000 in new federal funds towards this upgrade.

The Commission continues the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission claims that further budgetary cuts would jeopardize the safe operation of the facility and invalidate its response to the NRC regarding adequate operational funding.

The Commission's current license remains in effect until the new license is approved. To ensure safety, the NRC inspects the facility twice per year, and it has not identified any significant problems during these inspections. The Commission anticipates the renewal process will be complete the end of the calendar year.

Analyst's Note: Should the Commission not receive funding sufficient to safely operate the facility and the NRC reject the Agency's application, the reactor would have to be decommissioned at a cost to the State estimated to be \$30.0 million. Furthermore, the Commission is unsure whether a complete decommission is even possible at this time since some of its waste is "mixed waste" for which there is currently no place for disposal.

The Budget authorizes 8.6 FTE positions in FY2014 and FY2015 for the program, 2.6 of which are funded through URI for its radiation safety functions and URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

Atomic Energy Commission	General Revenue
FY2014 Enacted	\$861,710
<i>Target adjustments and statewide changes</i>	<i>51,487</i>
FY2015 Governor	\$913,197

CAPITAL PROJECTS

The Budget proposes a total of \$50,000 in RICAP-funded asset protection projects for FY2014 and FY2015. Projects include driveway and landscaping improvements in order to assure access to the cooling towers and emergency generator propane tanks. The Governor also proposes a single RICAP appropriation of \$83,040 for FY2015 to upgrade the facility IT network to a secure system and to increase bandwidth to accommodate significantly increased data transfer.

Higher Education Assistance Authority

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Higher Education Assistance Authority	\$25.1	\$26.8	\$25.0	(\$1.8)	6.7%	\$24.4	(\$2.3)	-8.7%
Expenditures by Source								
General Revenue	\$5.7	\$4.3	\$4.3	\$0.1	8.9%	\$4.3	\$0.0	0.0%
Federal Funds	11.0	13.3	12.3	(1.0)	9.4%	13.3	0.1	0.4%
Other Funds	8.4	9.2	8.3	(0.9)	0.0%	6.8	(2.4)	-25.8%
Total	\$25.1	\$26.8	\$25.0	(\$1.8)	6.7%	\$24.4	(\$2.3)	-8.7%
Authorized FTE Levels	36.0	23.0	25.0	2.0	8.7%	25.0	2.0	8.7%

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

The Rhode Island Higher Education Assistance Authority (HEAA) was created in 1977 to provide a system of financial assistance programs to promote opportunities for post-secondary education by providing grants and loans to qualified students. The Authority administers three major programs:

The Scholarship and Grant Program: The Scholarship and Grant Program is a need-based program that uses data submitted on the Free Application for Federal Student Aid (FAFSA) to determine eligibility. This program has historically been funded primarily with general revenue appropriations, but since FY2006, revenues from fees relating to the establishment and administration of CollegeBoundfund (CBf) accounts (other funds) have supplemented this program.

The Authority draws from a pool of more than 40,000 applications through the Free Application for Federal Student Aid (FAFSA) process, of whom more than two-thirds will qualify for some type of need-based assistance. Families and students complete FAFSA applications between November and March each year, and generally do not know at that time which college a student will attend when the form is completed.

In FY2015, the Authority expects to award State grants to approximately 19,000 students, up to a maximum grant of \$750. In FY2013 and continuing through to FY2015, there has been no sizable increase in eligible applicants for scholarship.

The CollegeBoundfund (CBf) Program: This program includes the CollegeBoundfund, the Academic Promise Scholarship Program, and the CollegeBoundfund 5&10 Matching Grant Program. The CollegeBoundfund (CBf) is a “qualified state tuition program” under section 529 of the IRS code. The program encourages qualified students, parents, and others responsible for paying the cost of higher education to plan for college by investing contributions that grow tax-free each year. Earnings are exempt from federal and state income tax for Rhode Island residents if used for qualified education-related expenses. As of June 30, 2013, nationally there were 454,220 accounts worth \$7.5 billion. Rhode Island’s share of these accounts, 25,269 (5.6 percent), are worth more than \$320.0 million.

The Loan Program: This program includes the Federal Family Education Loan Program (FFELP) and the Health Professions Contract Program. New loans under the FFELP program are gradually being phased out due to a change in federal laws, but the program will continue to pursue loan collections activities, including enrollment and repayment status management, default aversion activities, default collection activities, financial aid awareness and related outreach activities.

In addition, RIHEAA initiated the WaytogoRI web portal, which is free to all Rhode Island residents, all elementary and secondary schools (public, private and parochial) and postsecondary institutions. WaytogoRI allows students, parents, and educators to explore education and career options, plan and prepare for college and careers, and conduct college and career searches. WaytogoRI also supports

Individual Learning Plans (ILPs), which is required for all Rhode Island public school students from grades 6-12, and allows for e-transcripts.

MAJOR ISSUES AND TRENDS FOR FY2015

RIHEAA's ability to continue as a stand-alone agency is jeopardized by recent changes in federal law. On March 3, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010. The Act made changes to student financial assistance programs, including a provision eliminating loan originations under Federal Family Education Loan Program (FFELP) effective July 1, 2010. As a result, all guaranteed student loans are now originated under the Federal Direct Loan Program.

Also, the Ryan-Murray budget agreement, passed by Congress in December 2013, reduces the compensation that the agency receives from rehabilitating loans from the FFELP program. The reduced fees will begin on July 1, 2014, and will reduce the agency's funding by approximately 40.0 percent. Based on projections provided by RIHEAA, the guaranty portion of the agency will experience a loss in FY2015.

RIHEAA's role as a guaranty agency in the FFELP constitutes its single largest activity; approximately 75.0 percent of the Authority's employees are allocated to the guaranty agency functions (17.0 FTE positions out of a total of 22.0 currently filled FTE positions). RIHEAA's guaranty loan operation receives over 90.0 percent of its net revenue from the collection and rehabilitation of defaulted loans that it has guaranteed. With the transition to the Federal Direct Loan program as the single originator of all guaranteed student loans, RIHEAA's services will eventually be eliminated. The Authority will continue to provide services for loans currently in its portfolio (including claims payments and reinsurance transactions, default prevention and aversion activities, and collection of defaulted student loans), it is difficult to predict the time period over which such services will be required, and to what extent those responsibilities would constitute a substantive activity for the Authority. RIHEAA is trying to determine a reasonable estimate of that time period. The agency had originally predicted that it would begin experiencing losses from the guaranty program in FY2016; however, in light of the December 2013 federal changes, RIHEAA is likely to experience a loss in FY2015 unless another revenue stream is identified.

RIHEAA Net Income (Loss) Projections ¹							
Projection	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
High ²	\$0	\$0	\$1,764,343	\$929,746	\$619,714	\$11,290	(\$420,305)
Base ³	2,922,870	2,063,925	1,191,852	409,757	87,316	(456,477)	(813,600)
Low ⁴	-	-	943,954	125,912	(256,396)	(788,336)	(1,114,775)

Does not include federal changes enacted in December 2013.

¹ Projections provided by RIHEAA at current staffing levels.

² Low projection - 15.0 percent default rate and 13.0 percent annual rehabilitation rate.

³ Base projection - 17.0 percent default rate and 15.0 percent annual rehabilitation rate.

⁴ High projection - 19.0 percent default rate and 18.0 percent annual rehabilitation rate.

Higher Education Assistance Authority	General Revenue
FY2014 Enacted	\$4,281,726

<i>Target and Other Adjustments</i>	-
FY2015 Governor	\$4,281,726

Higher Education Assistance Authority	Other Fund Changes
Guaranty Agency Reserves	\$1,500,000
Personnel	(674,328)

Guaranty Agency Reserves (federal funds) \$1.5 million

The Governor recommends using \$1.5 million from the Agency's Reserve Fund to partially offset a decrease in scholarship funds available to the agency due to a decrease in fees generated by the Tuition Savings program. The Rhode Island Higher Education Assistance Authority has an Operating Reserve Fund balance estimated at \$20.0 million. This fund has been accumulating over time as a result of unspent fees for administrative work of providing federal guarantees for student loans.

Uses of the Operating Fund are restricted by federal law to application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities, as selected by the guaranty agency.

	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
Need Based Scholarships & Grants	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$5.7	\$4.3	\$4.3	\$0.1	1.2%	\$4.3	\$0.0	0.0%
Tuition Savings Fees (CBf)	7.3	8.0	6.5	(1.5)	-18.8%	6.5	(1.5)	-18.8%
Guaranty Agency Reserves	-	-	-	-	0.0%	1.5	1.5	0.0%
Academic Promise	1.0	0.8	1.0	0.3	33.3%	0.0	(0.8)	0.0%
Total	\$14.0	\$13.0	\$11.8	(\$1.2)	-9.2%	\$12.3	(\$0.8)	-5.8%

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

Need-based scholarships and grants are intended to provide higher education opportunities for students from low income households. RIHEAA makes this determination by reviewing information on all Rhode Island students made available from the Free Application for Federal Student Aid (FAFSA), a form that must be completed by all prospective college applicants.

Year	Students Eligible for		Students Receiving	
	Grants		Grants	Average Award
FY2011	34,448		16,767	\$751
FY2012	34,448		18,616	672
FY2013	35,702		19,097	649
FY2014 (projection)	35,700		19,000	637
FY2015 (projection)	35,700		19,000	646

Personnel (federal and other funds) (\$674,328)

The Governor decreases personnel costs by a net \$674,328 (\$47,990 other funds increase, offset by \$722,318 federal funds decrease). The FY2014 Budget as Enacted reduced the agency's FTE position authorization from 36.0 FTE positions to 23.0 FTE positions; however, the funding for the positions was not removed from the agency's budget at that time. This net decrease also includes an increase of \$190,000 in federal funds for 2.0 new FTE positions. The two new positions will be used to assist in training at schools throughout the state in the use of enhancements for the WaytogoRI.org web portal. The agency had 1.0 FTE vacancy as of the January 26, 2014, payroll.

Rhode Island Historical Preservation and Heritage Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Historical Preservation & Heritage Commission	\$1,876,982	\$3,506,949	\$4,505,227	\$998,278	28.5%	\$5,102,827	\$1,595,878	45.5%
Expenditures by Source								
General Revenue	\$1,242,950	\$1,357,510	\$1,340,796	(\$16,714)	-1.2%	\$1,280,610	(\$76,900)	-5.7%
Federal Funds	538,626	609,949	2,175,422	1,565,473	256.7%	2,183,588	1,573,639	258.0%
Restricted Receipts	42,137	454,491	420,320	(34,171)	-7.5%	434,910	(19,581)	-4.3%
Other Funds	53,269	1,084,999	568,689	(516,310)	-47.6%	1,203,719	118,720	10.9%
Total	\$1,876,982	\$3,506,949	\$4,505,227	\$998,278	28.5%	\$5,102,827	\$1,595,878	45.5%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

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

The Budget authorizes 16.6 FTE positions for FY2015, consistent with the enacted level.

Historical Preservation and Heritage Commission	General Revenue
FY2014 Enacted	\$1,357,510
<i>Target and Other Adjustments</i>	1,813
Hurricane Sandy Disaster Relief Federal Grant - Offset to General Revenue	(78,713)
FY2015 Governor	1,280,610

Historical Preservation and Heritage Commission	Other Fund Changes
Hurricane Sandy Disaster Relief Federal Grant	\$1,600,000

Hurricane Sandy Disaster Relief Grant – Offset to General Revenue (78,713)

The Governor proposes to use the 5.0 percent indirect cost recovery allowable under the Hurricane Sandy Disaster Relief Grant to offset personnel and operating costs currently funded with general revenue.

Hurricane Sandy Disaster Relief Federal Grant (federal funds) \$1.6 million

The Governor's budget includes \$1.6 million in new federal funds in FY2015. The Commission was awarded a total of \$3.2 million in federal funds over two years through the Hurricane Sandy Disaster Relief Grant. As part of the Disaster Relief Appropriations Act of 2013, the National Park Service allocated \$50.0 million for the preservation of historic resources damaged by Hurricane Sandy. Rhode Island is one of twelve states that received a major disaster declaration pursuant to the Stafford Act and eligible for this grant.

The Commission has issued public notice of these grant funds, evaluated approximately applications, and made recommendations for grants to 18 projects based the following criteria:

- Historic and architectural significance
- Severity and nature of damage to the historic property
- Ability of the project to repair storm damage
- Project cost in relation to public benefit

The Commission's recommendations have been forwarded to the National Park Service for final approval. Up to four additional restoration projects are also being considered. Projects include the restoration of historic landscapes, roofs, and foundations.

CAPITAL PROJECTS

The Governor proposes \$1.75 million in Rhode Island Capital Plan (RICAP) funds to renovate the Eisenhower House, including \$500,000 for FY2014 and \$1.1 million for FY2015. Renovations are scheduled to begin in early 2014 and completed by Spring 2015.

The Eisenhower House, built in 1873 as the official residence of the U.S. Navy Commandant of the Newport Naval Base and later used as the summer residence of President Dwight D. Eisenhower, is located in Fort Adams State Park, Newport. The facility is operated by the State and rented out as an event facility.

Department of the Attorney General

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Division	\$3.0	\$2.8	\$3.0	\$0.2	6.8%	\$3.1	\$0.3	10.9%
Criminal Division	15.6	20.5	32.4	11.9	58.2%	26.2	5.6	27.5%
Civil Division	5.1	5.6	6.1	0.5	8.4%	5.7	0.1	2.0%
Bureau of Criminal Identification	1.4	1.5	1.5	0.0	1.9%	1.5	0.0	2.6%
Total	\$25.0	\$30.4	\$43.0	\$12.6	29.4%	\$36.5	\$6.1	20.1%
Expenditures by Source								
General Revenue	\$22.3	\$23.7	\$24.0	\$0.4	1.5%	\$23.6	(\$0.1)	-0.3%
Federal Funds	1.4	1.6	2.8	1.2	74.7%	1.4	(0.3)	-15.6%
Restricted Receipts	0.9	5.1	16.0	10.9	68.2%	11.2	6.2	121.7%
Other Funds	0.4	0.1	0.2	0.2	383.6%	0.3	0.3	500.0%
Total	\$25.0	\$30.4	\$43.0	\$12.6	29.4%	\$36.5	\$6.1	20.1%
Authorized FTE Level	233.1	233.1	233.1	-	-	233.1	-	-

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

The Department of the Attorney General is the central legal agency of the state. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the state. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$36.5 million in total funding for the Department, an increase of \$6.1 million from the FY2014 Budget as Enacted. General revenues decrease by \$69,833, or 0.3 percent from the FY2014 Budget as Enacted, to \$23.6 million. The Governor also includes \$300,000 in Rhode Island Capital Plan Funds for building repairs and renovations for the Providence office building.

The Budget also includes \$10.0 million in federal forfeitures from the Google Settlement in restricted receipts. In 2011, Rhode Island (three state agencies and two Rhode Island police departments) received \$230.0 million from a settlement associated with the online advertisement of illegal pharmacies on Google. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Department of the Attorney General. The Department will spend this money on projects approved by the United States Department of Justice, such as upgrades to the criminal and fingerprint databases and purchasing and renovating office space.

The Budget includes 233.1 FTE positions in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Budget includes 21.6 FTE positions in FY2014 and FY2015 for the program, consistent with the enacted level.

General	General Revenue
FY2014 Enacted	\$2,721,567
<i>Target and Other Adjustments</i>	<i>52,046</i>
FY2015 Governor	\$2,773,613

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the state, as well as all misdemeanor criminal cases brought by state law enforcement agencies or appealed to the Superior Court. Specialized units focused on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes 148.1 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the Budget as Enacted.

Criminal Division	General Revenue
FY2014 Enacted	\$14,446,868
<i>Target and Other Adjustments</i>	<i>102,086</i>
Personnel	(93,762)
FY2015 Governor	\$14,455,192
Criminal Division (restricted receipts)	Other Fund Changes
Google Forfeiture Funds	\$6,000,000

Personnel (\$93,762)

The Budget decreases \$93,762 in general revenue for a decrease of 1.0 FTE Assistant Attorney General position in the Criminal Division. The decrease reflects a request by the Department to shift this position to the Civil Division.

Google Forfeiture Funds (restricted receipts) \$6.0 million

The Governor recommends \$10.0 million in Google Forfeiture Funds in FY2015 for IT projects and acquisition of office space, an increase of \$6.0 million over the FY2014 Budget as Enacted, and \$15.0 million in the FY2014 revised budget, an increase of \$11.0 million from the enacted level. The Department purchased 180 South Main Street in Providence, adjacent to their headquarters at 150 South Main Street, for \$3.4 million.

Google Funds Expenditure Summary - Attorney General

Item	FY2014 Request	FY2015 Request
IT System Design	\$4.3	\$1.3
Building Maintenance & Repairs	3.0	-
Computer Supplies/Software & Equipment	1.3	1.3
Buildings & Structures - Acquisition	4.0	5.0
Computer Equipment (\$500 to \$4,999)	0.8	0.8
Computer Equipment (>\$5,000)	1.7	1.7
Total	\$15.0	\$10.0

\$ in millions.

The Criminal Division of the Office assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers.

In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the DOJ.

CIVIL DIVISION

The Civil Division is charged with conducting the state's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget provides 45.0 FTE positions in FY2014 and FY2015 for the program, an increase of 1.0 FTE from the Budget as Enacted.

Civil Division	General Revenue
FY2014 Enacted	\$4,985,425
<i>Target and Other Adjustments</i>	<i>37,030</i>
Personnel	93,762
Tobacco Litigation	(300,000)
FY2015 Governor	\$4,816,217

Personnel

\$93,762

The Budget increases \$93,762 in personnel, which includes the transfer of 1.0 FTE position Assistant Attorney General from the Criminal Division.

Tobacco Litigation

(\$300,000)

The Governor recommends a decrease of \$300,000 in general revenue in FY2015 from the enacted level for expenses relating to the National Association of Attorney General (NAAG) – Tobacco Litigation anticipating that there will be unspent funds in FY2014 that will carryover. For FY2014, the Governor recommends \$525,000 in total funding, an increase of \$225,000 from the enacted level based on a reappropriation of unspent funds from FY2013. Recent spending levels were \$317,837 in FY2012 and \$7,391 in FY2013.

In 1998, the State, along with 45 others, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which have gone to arbitration.

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Budget includes 19.0 FTE positions in FY2014 and FY2015 for the program, consistent with the Budget as Enacted.

Bureau of Criminal Identification	General Revenue
FY2014 Enacted	\$1,503,119
<hr/>	
<i>Target and Other Adjustments</i>	<i>39,005</i>
FY2015 Governor	\$1,542,124

CAPITAL PROJECTS

The Governor includes Rhode Island Capital Plan (RICAP) funding of \$241,805 in FY2014 and \$300,000 in FY2015 for renovations to the Attorney General's main office building at 150 South Main Street, including HVAC upgrades, repointing/limestone repairs on the building exterior, new piping infrastructure due to leakages, electrical wiring upgrades, roof replacement, and renovations to preserve the cupola on the top of the building. The project totals \$3.5 million in RICAP funds through FY2019.

Department of Corrections

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.0	\$9.1	\$8.8	(\$0.3)	-3.5%	\$9.2	\$0.1	0.6%
Community Corrections	14.7	15.1	15.0	(0.1)	-0.8%	15.1	(0.0)	-0.1%
Custody and Security	118.5	116.2	118.0	1.8	1.5%	119.6	3.4	2.9%
Healthcare Svcs	19.1	19.6	19.6	(0.1)	-0.3%	19.8	0.1	0.6%
Institutional Based Rehab/Pop Mgmt	9.7	10.0	10.0	-	-	9.6	(0.4)	-4.0%
Institutional Support	18.3	33.2	30.7	(2.5)	-8.0%	34.9	1.7	5.0%
Parole Board	1.2	1.4	1.3	(0.1)	-5.8%	1.5	0.1	4.8%
Total	\$189.5	\$204.7	\$203.4	(\$1.3)	-0.6%	\$209.6	\$4.9	2.4%

Expenditures by Source								
General Revenue	\$184.0	\$185.4	\$186.0	\$0.7	0.4%	\$188.7	\$3.3	1.8%
Federal Funds	2.0	1.8	2.5	0.7	40.9%	1.7	(0.1)	-7.5%
Restricted Receipts	0.1	0.1	0.1	0.0	1.9%	0.1	(0.0)	-15.8%
Other Funds	3.5	17.5	14.8	(2.7)	-15.2%	19.1	1.7	9.6%
Total	\$189.5	\$204.7	\$203.4	(\$1.3)	-0.6%	\$209.6	\$4.9	2.4%

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

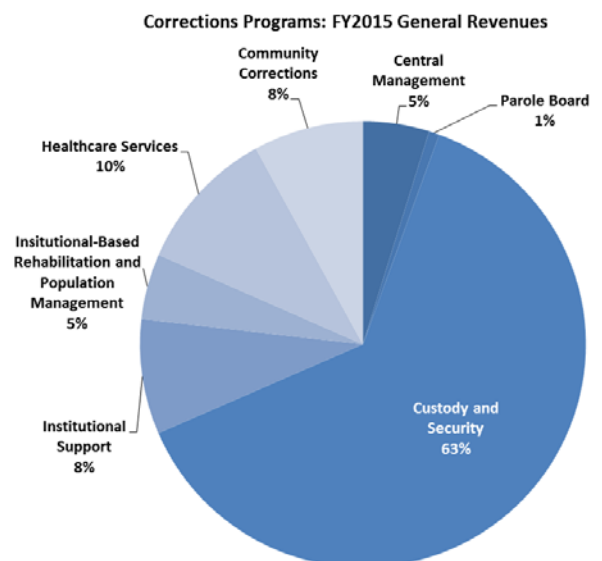
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,774 beds. Through December 2013, the Department has averaged 3,235 inmates (85.7 percent of capacity) housed at the ACI for the fiscal year, including 3,080 men, and 155 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$209.6 million in total expenditures for FY2015, including \$188.7 million in general revenue and \$19.1 million in Rhode Island Capital Plan funds.

The Governor includes \$1.2 million for costs associated with Correctional Officer training. The Budget includes \$500,019 for the reinstatement of weapons qualification for Correctional Officers (CO) as a result of an arbitration award restoring the annual requirement. The Budget also shifts \$730,721 from the FY2014 Budget as Enacted for a training class of new COs.

The 2013 General Assembly passed the “Good Conduct Certificate” legislation, allowing the Parole Board to award of a “certificate of good conduct” to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. The Governor includes \$137,946 in general revenue for 2.0 FTE positions to assist the Parole Board in administering the program.



CENTRAL MANAGEMENT

The Central Management program houses the administrative functions of the Department, including human resources, management, legal, financial, and physical plant responsibilities. Beginning in FY2013, the program includes Inmate Accounts and Central Distribution Center internal service funds. The Budget includes 75.0 FTE positions in FY2014 and FY2015, a decrease of 1.0 FTE from the FY2014 Budget as Enacted.

Central Distribution Center services are provided to all state departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Central Management	General Revenue
FY2014 Enacted	\$9,077,039
<i>Target and Other Adjustments</i>	<i>(404,804)</i>
Weapons Requalification	500,019
Personnel	(101,280)
Correctional Officer Training Class	Informational
FY2015 Governor	\$9,070,974

Weapons Requalification**\$500,019**

The Budget includes \$500,019 in general revenue for the annual Correctional Officer weapons requalification. This includes rental of a firing range, transportation, ammunition for practice and qualifying rounds, and staffing of the range by training personnel.

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

Personnel**(\$101,280)**

The Budget includes a general revenue decrease of \$101,280 for shifts in personnel among DOC programs. The Governor transfers 2.0 FTE positions (\$215,836) from the Central Management program to the Custody and Security program. These positions, a Chief Motor Pool & Maintenance position and Automobile Service Shop Supervisor, are responsible for the Department's State Fleet Unit. The Department also shifts 1.0 FTE Interdepartmental Project Manager position (\$114,556) from the Institutional Rehabilitation program to Central Management.

Corrections Officer Training**Informational**

The FY2015 Budget includes \$742,098 in general revenue funding for a training class of approximately 40 Correctional Officers in FY2015. The Governor's FY2014 Supplemental budget eliminates the FY2014 training class. This was originally budgeted for \$749,522 in the FY2014 Budget as Enacted; however, the Governor removes this funding in FY2014 due to concerns about the hiring process expressed by the U.S. Department of Justice.

Analyst's Note: The Governor's proposal eliminates the FY2014 training class due to a notice received by the U.S. Department of Justice (DOJ) expressing concerns about the hiring process for Correctional Officers. On February 10, 2014, the DOJ announced that a lawsuit has been filed alleging that the Department has been engaging in recruiting practices that are adversely affecting minority candidates. As part of the hiring process for entry level Correctional Officers, DOC screens applicants using a written and video examination. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management. The Budget includes 129.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

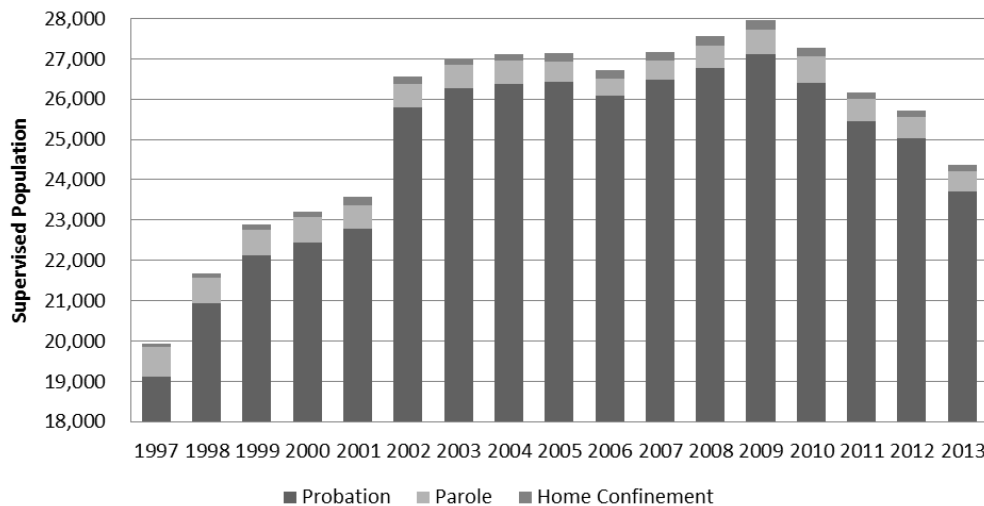
Community Corrections	General Revenue
FY2014 Enacted	\$15,031,969
<i>Target and Other Adjustments</i>	
	3,560
Community Corrections Population	Informational
Probation Office Space	Informational
FY2015 Governor	\$15,035,529

Community Corrections Population

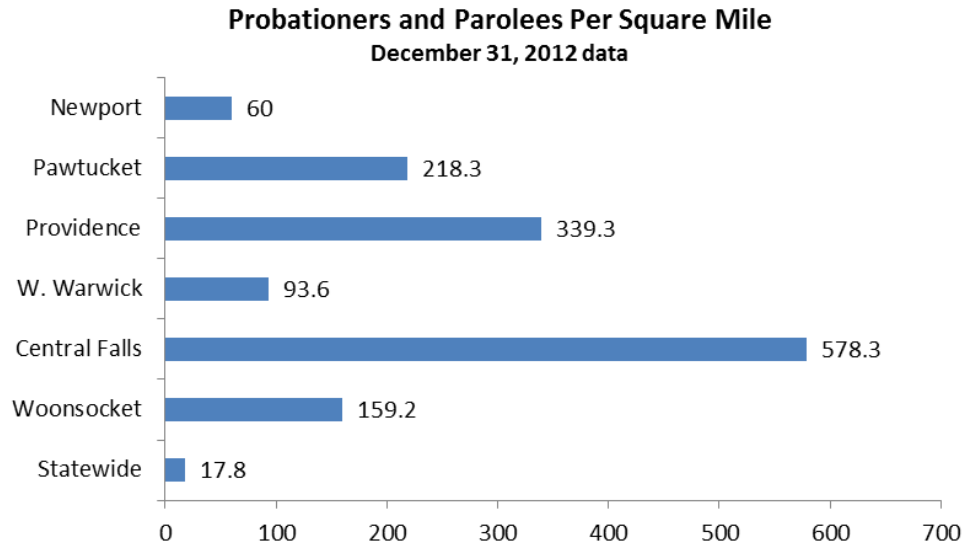
Informational

While representing only 7.2 percent of the Department’s general revenue budget for FY2015, Community Corrections serves the largest number of individuals. In FY2013 the program served 23,707 cases, representing a 21.4 percent increase from FY1997. Based on Department of Corrections’ statistics, 1 out of every 44 adult residents in the state is on probation or parole. This equates to 1 of every 25 men and 1 of every 136 women.

Community Corrections Population Trends



The number of cases in the state’s urban areas is substantially higher than the statewide average. The Department reports that 43.0 percent of the population under the supervision of the Community Corrections program live in Providence or Pawtucket. Statewide there are an average of 17.8 probationers and parolees per square mile. This increases to as high as 578.3 probationers and parolees per square mile in the City of Central Falls.

**Probation Office Space***Informational*

The current location of the Probation and Parole Office at 246 Prairie Avenue, owned by the Urban League, is inadequate and the lease is expiring. The DOC issued a Request for Proposals (RFP) for a new space, but the only response was for the current space. On December 17, 2013, the State Properties Committee voted to waive the RFP requirements and allow negotiations to begin with the landlord at 40 Fountain Street in Providence which currently houses other State offices. The Probation and Parole Office would occupy the first floor of 40 Fountain Street, which previously housed the Retirement Board. Elected officials and members of the public expressed concerns that moving this office to the downtown location could pose significant public safety risks. Consideration for the move was withdrawn.

The Probation and Parole Office still occupies the Urban League space. DOC is paying for janitorial staff to maintain work conditions and deducting these expenses from the rent owed. The DOC issued a new RFP with proposals due on March 5, 2014. The final lease agreement is required to come before the State Properties Committee for approval. The target date for occupying a new space is July 1, 2014.

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State's inmate population to ensure the safety of staff, inmates, and the general public. The program is new, based on the Governor's FY2013 budget proposal, and represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran and Donald Price Medium Security (currently closed) facilities, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget provides a staffing level of 990.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the FY2014 Budget as Enacted.

Custody and Security	General Revenue
FY2014 Enacted	\$115,418,407
<i>Target and Other Adjustments</i>	<i>(807,627)</i>
Inmate Population Housing	2,575,936
Correctional Officer Overtime	2,201,038
Transfer of State Fleet Unit	215,836
State Criminal Alien Assistance Program (SCAAP)	(105,679)
Transfer of CO Supervision to RICAP	(750,000)
Inmate Population	Informational
FY2015 Governor	\$118,747,911

Inmate Population Housing**\$2.6 million**

Due to the increase in population projected for FY2015, the Governor requests additional funding of \$2.6 million to keep housing modules open at the Intake Service Center (ISC), Maximum Security and Minimum Security. The FY2014 Budget as Enacted included savings by closing housing modules that have since been reopened due to increases in commitments and in the awaiting trial population.

Correctional Officer Overtime**\$2.2 million**

The Governor includes \$2.2 million in additional general revenue for costs associated with Correctional Officer overtime. This is, in part, due to the reopening of housing modules, weapons requalification, supervision of inmate construction crews on various capital projects, and the delay in the Correctional Officer training class to FY2015. According to the National Institute of Corrections, the current FTE level is inadequate to cover authorized posts, which increases the Department's reliance on overtime staff.

Transfer of State Fleet Unit**\$215,836**

The Department requests a transfer of the internal State Fleet unit from Central Management to the Custody and Security program. This Unit handles all vehicle repairs, ordering and requests for state vehicles. The funding transfer will support the program's 2.0 FTE positions.

State Criminal Alien Assistance Program (SCAAP)**(\$105,679)**

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for SCAAP (created in 1990) is used to offset general revenue costs associated with housing detainees. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include "undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period." The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The 2013 application contained identifying information for 688 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available.

The Budget includes \$811,434 in FY2014 and \$810,713 in FY2015 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants. The FY2015 Budget includes a \$105,679 reduction for the general revenue portion of the State Criminal Alien Assistance Program (SCAAP).

Transfer CO Cost to Capital Funding**(\$750,000)**

The Governor reduces Correctional Officer overtime funding by \$750,000, recommending these costs associated with supervising inmate work crews and outside contractors be transferred to Rhode Island

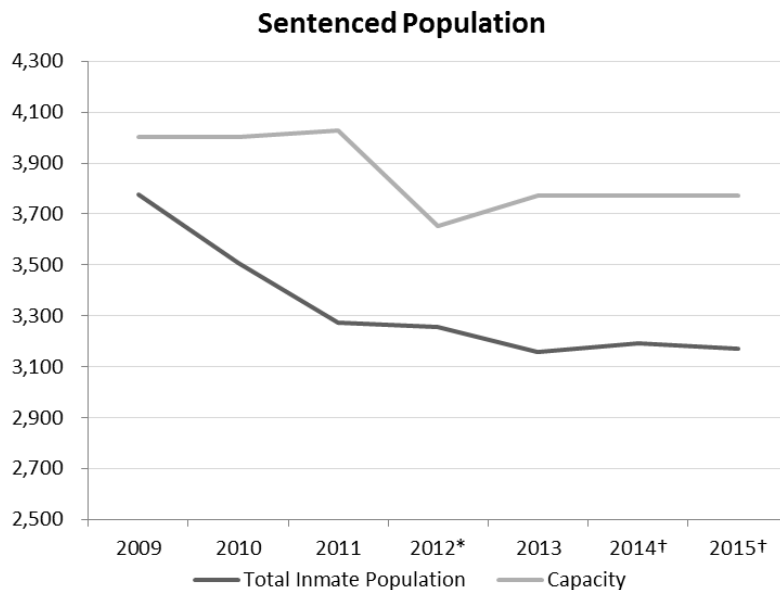
Capital Plan (RICAP) financing. The Governor proposes that personnel and capital costs directly related to project construction at secure facilities should be considered a capital expenditure. Fund availability for project work would decrease if overtime costs were placed there.

Inmate Population

Informational

The Department's budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the state. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

Population Reduction Initiatives: The average monthly census for incarcerated individuals has decreased by 18.0 percent since September 2007, when the monthly average population reached a high point of 3,937. For FY2014, the Department is predicting an end to the continuous decline experienced since 2007 as totals increased by 113 inmates over the fourth month period from July to October. However, when compared to previous four month averages, and based on previous patterns of high initial averages followed by lower final averages, the trend is down. As a result, the Department expects decline to resume in FY2015.



*FY2012 capacity change represents the Price Medium Security closing.

†Figures are estimates.

Two initiatives implemented since FY2008 have aided in the reduction of the inmate population.

- The Public Defender's Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. According to the Office of the Public Defender, the program has succeeded in increasing the number of arraignments without incarceration from 40 to 100 and has reduced by 70.0 percent the number of violations withdrawn or continued on probation, contributing to the decline in awaiting trial population and the inmate commitment census.
- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs,

and other incentives. Inmates sentenced to serve nine months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation. The effect of this legislation particularly impacted the average monthly sentenced population with a small decrease in the awaiting trial population; however, that trend has been reversing as there has been an increase in the number of awaiting trial commitments.

- As part of the FY2012 Budget as Enacted, the General Assembly allowed medical parole for inmates who have a chronic and incurable mental or physical illness, and for whom the medical costs are deemed to be exorbitant by the Department of Corrections. The Department's Medical Director verifies all medical opinions and has the ability to deny the petition for medical parole prior to submission of an application to the Parole Board. Medical parolees are required to wear electronic monitoring equipment unless the medical facility to which the parolee is admitted cannot accommodate such equipment. All prisoners, except those serving sentences of life without parole, are potentially eligible for medical parole. Of the 6 inmates who filed for medical parole in FY2013, 2 were denied due to the nature of the crimes committed; 3 inmates were granted medical parole, however, these inmates are still residing at the DOC due to difficulty finding nursing home placement due to nature of crimes.

Budgeting: The Department primarily bases its budget on the projected number of inmates it will house at the Adult Corrections Institutions (ACI). Two average cost models are used for projections:

- **Personnel and Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. Actual costs in FY2013 were \$52,045, up from \$50,859 in FY2012.
- **Per Diem:** Per diem costs for inmates are associated with the Institutional Support program. For FY2015, this number is estimated to be \$3,831, which includes food, linens, medicines and other normal expenses. This cost assumption is based on per diem costs for one additional inmate, and assumes that no additional staff would be needed and space exists to house the inmate in an already open and supervised cell/bed. The FY2014 revised budget per diem cost assumes \$3,887 per inmate. The Governor bases the FY2014 Budget recommendation on an estimated average of 3,192 inmates, or 40 inmates above the FY2014 enacted amount of 3,152 inmates. From FY2004 through FY2013, the Department has averaged 3,496 inmates. Through January 2014, the Department has averaged 3,232 inmates for the fiscal year. The Governor recommends \$12.1 million for FY2015 for an estimated inmate population in the FY2015 Budget recommendation is 3,170.

The Governor's recommended budget for the Department of Corrections was based on an average daily population of 3,192 for FY2014, an increase of 40 inmates (1.7 percent) from the enacted level of 3,152. For FY2015, the Department estimates a population of 3,170, an increase of 18 inmates (0.6 percent) from the FY2014 Budget as Enacted.

HEALTHCARE SERVICES

Beginning in FY2013, the Healthcare Services program is responsible for medical, dental and mental health service provision to all inmates. These responsibilities were previously allocated to the Institutional Corrections program. The Budget includes 84.0 FTE positions for FY2014 and FY2015, consistent with the enacted level.

Healthcare Services	General Revenue
FY2014 Enacted	\$19,639,269
<i>Target and Other Adjustments</i>	
	51,588
Personnel - Dental & Medical Services	60,551
Inmate Medicaid	Informational
FY2015 Governor	\$19,751,408

Personnel - Dental & Medical Services **\$60,551**

The Budget includes an increase of \$60,551 for costs related to delivering dental, medical, and mental health services in the program. The Governor increases general revenue funding by \$242,843 for dental services since the Department has been unable to keep the Chief of Dental position filled, requiring the need for a contract employee to perform the dental needs of offenders. The increase is partially offset by a \$280,000 reduction in contracted nursing services aligned with past spending levels.

Inmate Medicaid

Informational

Since 1997, the federal government has allowed matching Medicaid funds to pay for specialized in-patient care, such as hospitals, nursing homes, intermediate care or juvenile psychiatric hospitals. Hospitalization must be longer than 24 hours and the inmate must meet the state's criteria of the state's Medicaid program or have been enrolled in the program prior to incarceration. Daily in-prison health care is not covered by Medicaid. Since 2008, the Department has pursued federal participation for inmates that previously had met Medicaid eligibility standards. The amounts vary year to year, as the amount the Department may capture is based on the number of Medicaid-eligible inmates and hospital days.

Medicaid Capture

Fiscal Year	Total
2008	\$125,000
2009	4,100
2010	49,000
2011	119,000
2012	0
2013	400,000

In-patient stays are a smaller portion of the Department's medical expenses (\$759,100 in FY2013 and \$766,797 in the FY2014 Supplemental Budget). The majority of medical expenditures are for out-patient services for inmates receiving care from community-based providers (\$2.5 million in FY2013 and FY2014 Supplemental Budget). These services are not eligible for Medicaid reimbursement, even with the new changes under the Affordable Care Act.

The Department is working with the Executive Office of Health and Human Services (EOHHS) to obtain Medicaid coverage for inmates as they are being discharged, insuring that those being released receive necessary medical and treatment services once they are in the community. In FY2013, seven discharged inmates were enrolled.

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The FY2013 Budget created the Institutional Based Rehabilitation/Population Management program. The program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and reentry services, including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries

when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

The Budget includes 70.0 FTE positions for the program in FY2014 and FY2015, consistent with the enacted level.

Institutional Based Rehab/Pop Mgmt	General Revenue
FY2014 Enacted	\$9,129,775

<i>Target and Other Adjustments</i>	61,372
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Online GED Testing	58,729
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Contracted Professional Services	(277,571)
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FY2015 Governor	\$8,972,305
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Online GED Testing **\$58,729**

The Governor recommends additional funding of \$58,729 for office supplies relating to changes in testing for General Education Development (GED) certificates. The U.S. Department of Education recently required all GED testing be completed online. The Department must install an online test and purchase related supplies to meet this new requirement.

Contracted Professional Services **(\$277,571)**

The Governor reduces contract services by \$277,571, primarily due to eliminating maintenance services at the State House and Waterplace Park and by renegotiating the cost of medical services for substance abuse contracts. The funds for maintenance at Waterplace Park pay for overtime supervisory costs of correctional officers, inmate pays, landscaping supplies, fertilizers, seed, and trash bags.

Analyst's Note: Maintenance costs for the State House, and if provided, Waterplace Park, are assumed to shift to the Department of Administration's Facilities Program; however, the Governor does not include additional funding in the budget.

INSTITUTIONAL SUPPORT

Created in FY2013, the program is responsible for food services, facilities maintenance and repairs, and the Inmate Classification Unit. These responsibilities were previously done through the Institutional Corrections program. The Budget includes 61.0 FTE positions for FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Institutional Support	General Revenue
FY2014 Enacted	\$15,728,306

<i>Target and Other Adjustments</i>	(2,240)
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FY2015 Governor	\$15,726,066
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PAROLE BOARD

The Parole Board is a six-member appointed commission that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Board is supported by an Administrator, an Investigator, and support staff. The Department has budgetary responsibility for the Board; however it remains autonomous with regard to making parole decisions. The Budget includes 10.0 FTE positions in FY2014 and 12.0 FTE positions in FY2015 for the program, an increase of 2.0 FTEs from the Budget as Enacted.

Parole Board	General Revenue
FY2014 Enacted	\$1,354,433
<i>Target and Other Adjustments</i>	<i>(71,277)</i>
Good Conduct Certificate Program Personnel	137,946
FY2015 Governor	\$1,421,102

Good Conduct Certificate Program Personnel **\$137,946**

The 2013 General Assembly passed the “Good Conduct Certificate” legislation, allowing the Parole Board to award of a “certificate of good conduct” to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Per the Department’s request, the Governor recommends an increase of \$137,946 in general revenue for 2.0 FTE positions in FY2015 (1.0 FTE Senior Word Processing Typist and 1.0 FTE Field Audit Investigator) to assist the Parole Board in administering the program.

CAPITAL PROJECTS

The Budget includes a total of \$73.6 million in capital projects from FY2014 through post-FY2019.

The Governor includes \$220,022 in RICAP funding in FY2014 to complete conversion of the Gloria McDonald Women’s Facility in order to address deficiencies in program space, segregation concerns, and security issues in the former Dix and McDonald facilities.

Other major items in FY2014 and FY2015 include:

- \$2.4 million in FY2014 and \$3.9 million in FY2015 to restore and renovate the Intake Service Center.
- \$499,992 in FY2014 and \$4.2 million in FY2015 for renovations to the Minimum Security building. The proposal expands the kitchen, increasing the current 500-seat capacity of the dining hall, and expands the building for a new intake and support services addition.

Judiciary

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Supreme Court	\$35.1	\$34.9	\$35.4	\$0.5	1.5%	\$33.7	(\$1.2)	-3.4%
Superior Court	21.8	22.7	22.4	(0.3)	-1.4%	22.7	0.0	0.1%
Family Court	19.8	21.1	20.7	(0.4)	-1.8%	21.0	(0.2)	-0.7%
District Court	11.8	12.8	12.4	(0.4)	-3.3%	12.3	(0.6)	-4.3%
Traffic Tribunal	7.9	8.1	8.6	0.5	5.7%	8.8	0.7	8.3%
Workers' Compensation Court	7.4	7.8	7.8	(0.0)	-0.1%	7.9	0.1	1.2%
Judicial Tenure & Discipline	0.1	0.1	0.1	(0.0)	-0.5%	0.1	(0.0)	-0.1%
Total	\$104.0	\$107.6	\$107.5	(\$0.1)	-0.1%	\$106.5	(\$1.1)	-1.0%
Expenditures by Source								
General Revenue	\$87.9	\$91.7	\$91.4	(\$0.3)	-0.3%	\$92.4	\$0.7	0.8%
Federal Funds	2.0	2.6	2.1	(0.6)	-21.4%	1.9	(0.7)	-27.2%
Restricted Receipts	10.4	11.8	11.8	0.0	0.3%	10.8	(1.0)	-8.4%
Other Funds	3.7	1.5	2.2	0.7	44.2%	1.4	(0.2)	-10.9%
Total	\$104.0	\$107.6	\$107.5	(\$0.1)	-0.1%	\$106.5	(\$1.1)	-1.0%
Authorized FTE Levels	723.3	726.3	726.3	-	-	726.3	-	-

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor largely recommended the Judiciary's budget as requested, as required under RIGL 35-3-5. Total general revenue funding increases by \$740,309 (0.8 percent) above the FY2014 Budget as Enacted. The Governor proposes \$8.4 million in Rhode Island Capital Plan Fund financing beginning in FY2019 for completion of unfinished courtroom space at the Noel Judicial Complex in Warwick and additions to the existing parking structure.

The Judiciary has been developing a new Case Management System and an E-Filing System. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. The Governor proposes \$709,604 in restricted receipts in FY2015, available from the Department's indirect cost recoveries on federal grants, to fund personnel and capital expenses related to this project.

SUPREME COURT

The Supreme Court is the only constitutionally-established court in the state, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing,

information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program. The Budget includes 161.7 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 enacted levels.

Supreme Court	General Revenue
FY2014 Enacted	\$29,783,782
<i>Target and Other Adjustments</i>	
Computer Maintenance and Repairs	(57,679)
Law Library Subscriptions	497,500
Indigent Defense	(280,721)
	Informational
FY2015 Governor	\$29,942,882

Computer Maintenance and Repairs **\$497,500**

The Budget adds \$497,500 in general revenue for computer maintenance and repairs not relating to the Department's new case management system. The Department indicates that these are costs for normal maintenance of its network and systems, plus associated scanners and hardware.

Law Library Subscriptions **(\$280,721)**

The Governor decreases general revenues by \$280,721 (49.2 percent) for Law Library subscriptions. Under R.I.G.L. 29-3, the Court is required to provide public access to books and electronic databases such as Westlaw and Lexis for libraries throughout the Court system.

Indigent Defense **Informational**

The Judiciary is responsible for the defense of indigent persons who cannot be represented by the Office of the Public Defender due to conflicts of interest or other reasons. For FY2015, the Governor recommends \$3.5 million for indigent defense, consistent with the FY2014 Budget as Enacted level, and an increase of \$150,496 above the final FY2013 level (\$3.4 million).

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 165.7 FTE positions in FY2014 and FY2015 for the program, consistent with the enacted level.

Superior Court	General Revenue
FY2014 Enacted	\$22,294,581
<i>Target and Other Adjustments</i>	
	64,446
FY2015 Governor	\$22,359,027

FAMILY COURT

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony, support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, or mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes 173.8 FTE positions in FY2014 and FY2015, consistent with the FY2014 enacted level.

Family Court	General Revenue
FY2014 Enacted	\$18,851,385
<i>Target and Other Adjustments</i>	<i>394,207</i>
FY2015 Governor	\$19,245,592

DISTRICT COURT

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes a staffing level of 96.0 FTE positions in FY2014 and 96.0 FTE positions in FY2015 for the program.

District Court	General Revenue
FY2014 Enacted	\$12,545,634
<i>Target and Other Adjustments</i>	<i>(80,497)</i>
Personnel	(466,602)
FY2015 Governor	\$11,998,535

Personnel**(\$466,602)**

The Budget reduces \$466,602 for personnel costs in the program, which includes a shift of \$199,667 in general revenue to Small Claims Mediation Account (restricted receipts) as a result of some employees administering small claims cases through the civil court. The Governor also includes turnover of \$266,935.

TRAFFIC TRIBUNAL

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston. The Budget includes 78.2 FTE positions in FY2014 and FY2015, consistent with the FY2014 enacted level.

Traffic Tribunal	General Revenue
FY2014 Enacted	\$8,090,350
<i>Target and Other Adjustments</i>	<i>201,603</i>
Personnel	468,166
FY2015 Governor	\$8,760,119

Personnel **\$468,166**

The Governor includes an increase of \$468,166 in general revenue for personnel, which includes step increases for employees and partially restores funding for vacant positions in the Traffic Tribunal, inclusive of statewide adjustments. There are currently 6.6 FTE vacancies in the program.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Budget includes 50.0 FTE positions in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Workers' Compensation Court	Restricted Receipts
FY2014 Enacted	\$7,842,060
<i>Target and Other Adjustments</i>	<i>90,580</i>
FY2015 Governor	\$7,932,640

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify, or reject the recommendations of the Commission. The Budget includes 1.0 FTE position in FY2014 and FY2015 for the program, consistent with the enacted level.

Judicial Tenure & Discipline	General Revenue
FY2014 Enacted	\$115,627
<i>Target and Other Adjustments</i>	<i>(114)</i>
FY2015 Governor	\$115,513

CAPITAL PROJECTS

The Budget includes \$23.6 million in RICAP funds for FY2014 through post-FY2019 for capital projects, including \$2.3 million in FY2014 and \$1.4 million in FY2015. Funds for FY2014 and FY2015 are

allocated for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.

The Judiciary requests \$5.4 million for the Noel Shelled Courtroom Build-Out (NCBO), including \$2.8 million for three years, beginning in FY2015 through FY2016. The Governor's budget proposes \$2.0 million in RICAP funding beginning in FY2019 with an additional \$6.4 million post-FY2019. This project will expand the capacity of the Noel Judicial Complex by adding courtroom space to the interior shell and additional parking to accommodate the expansion. The Department sees a need for this expansion due to overcrowding of courtrooms in both the McGrath Judicial Complex (Wakefield) and the Garrahy Complex (Providence). Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties.

The Judiciary expects to complete the project in two phases. The first phase of the project will add two decks to the current parking garage to address the need for additional parking as a result of the proposed expansion. The second phase of the project will build out the shelled courtroom space within the Noel Complex.

Military Staff

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
RI National Guard	\$15.4	\$19.9	\$20.2	\$0.3	1.5%	\$19.0	(\$0.9)	-4.5%
Emergency Management	25.3	23.3	29.0	5.7	24.5%	-	(23.3)	-100.0%
Total	\$40.7	\$43.2	\$49.2	\$6.0	13.9%	\$19.0	(\$24.2)	-56.0%
Expenditures by Source								
General Revenue	\$3.5	\$3.9	\$3.6	(\$0.3)	-7.7%	\$1.8	(\$2.1)	-53.8%
Federal Funds	34.1	34.9	41.3	6.4	18.3%	14.8	(20.1)	-57.6%
Restricted Receipts	0.4	1.0	3.5	2.5	250.0%	2.0	1.0	100.0%
Other Funds	2.7	3.4	0.8	(2.6)	-76.5%	0.4	(3.0)	-88.2%
Total	\$40.7	\$43.2	\$49.2	\$6.0	13.9%	\$19.0	(\$24.2)	-56.0%
Authorized FTE Levels	112.0	117.0	117.0	-	0.0%	85.0	(32.0)	-27.4%

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

FY2013 and FY2014 amounts include RIEMA. FY2015 is RI National Guard only.

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA.

As of September 30, 2013, 12.0 percent of the State's armories and readiness centers meet or exceed the United States Army building code compliance standards. This is an improvement over the 5.6 percent reported last year.

NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard, and the State Historic Militia. The Guard is authorized to have 3,249 members (2,130 Army National Guard and 1,179 Air Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Governor recommends 85.0 FTE positions in FY2014 and FY2015 for the program, consistent with the enacted budget.

National Guard	General Revenue
FY2014 Enacted	\$1,361,037
Target and Other Adjustments	78,631
Personnel Changes	327,428
Inaugural Expenses	75,000
FY2015 Governor	\$1,842,096

Personnel Changes**\$327,428**

The Governor increases general revenue funded personnel costs by \$327,428. The increase includes \$31,000 to offset the loss of administrative funds through the proposed separation of the Rhode Island Emergency Management Agency, as well as a reduction in the anticipated turnover, and an increase due to medical benefit inflation.

The Governor also restores \$235,000 for personnel costs that were removed in the FY2014 Budget as Enacted as part of an enhanced indirect cost recovery. The federal funds are derived from the federal Master Cooperative Agreements and Centralized Personnel Plan, which does not allow for Indirect Cost Recoveries to offset state general revenue funding requirements.

Inaugural Expenses**\$75,000**

The Governor recommends the addition of \$75,000 in general revenue funding for expenses related to the inauguration of general officers to be held on January 6, 2015. The Governor's recommendation places the full appropriation within personnel overtime. According to the Guard, the \$75,000 appropriation is based on expenses incurred at the last inauguration in January 2011. At that time, operating expenditures were \$55,000 and personnel expenses were \$20,000 for 47.0 soldiers activated for one day and 2.0 activated for 2 days. However, the details for the next inauguration will be at the discretion of the incoming Governor.

RI EMERGENCY MANAGEMENT AGENCY

The RI Emergency Management Agency (RIEMA) is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the state for the Federal Department of Homeland Security and the Federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies/disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network. The Governor recommends 32.0 FTE positions in FY2014 and 0.0 FTE positions in FY2015 under Military Staff agency.

Emergency Management	General Revenue
FY2014 Enacted	\$2,508,946
<i>Target and Other Adjustments</i>	<i>(549,088)</i>
Agency Separation (Article 18)	(1,959,858)
FY2015 Governor	-

Agency Separation (Article 18)**(\$2.0 million)**

The Governor separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. RIEMA is responsible for planning and implementing all hazard preparedness programs at the state level as well as providing support at the local level. Prior to 1996, RIEMA has been a standalone agency. Since 1996, however, RIEMA has operated as a program within Military Staff. The Governor separates RIEMA from Military Staff in order to more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA.

CAPITAL PROJECTS

The Governor recommends a total of \$15.3 million including \$7.2 million RICAP) in capital projects between FY2014 and FY2019, including:

- \$1.4 million in FY2014 (\$718,655 in federal funds) and \$2.2 million in FY2015 (\$925,000 in federal funds) for twelve asset protection projects.
- \$420,000 in FY2014 (\$280,000 federal funds) and \$600,000 in FY2015 (\$300,000 federal funds) for the Armory of Mounted Commands Rehabilitation project, which includes the roof and HVAC replacement project.

Rhode Island Emergency Management Agency

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Emergency Management	\$25.3	\$23.3	\$29.0	\$5.7	24.5%	\$20.6	(\$2.7)	-11.6%
Total	\$25.3	\$23.3	\$29.0	\$5.7	24.5%	\$20.6	(\$2.7)	-11.6%
Expenditures by Source								
General Revenue	\$2.1	\$2.5	\$2.0	(\$0.5)	-20.0%	\$1.9	(\$0.6)	-24.0%
Federal Funds	23.0	20.1	26.8	6.7	33.3%	18.3	(1.8)	-9.0%
Restricted Receipts	0.2	0.7	0.2	(0.5)	-71.4%	0.2	(0.5)	-71.4%
Other Funds	-	-	-	-	-	0.2	0.2	-
Total	\$25.3	\$23.3	\$29.0	\$5.7	24.5%	\$20.6	(\$2.7)	-11.6%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

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

FY2013 and FY2014 amounts reported under Military Staff budget.

The Rhode Island Emergency Management Agency (RIEMA), proposed as a stand-alone agency for FY2015, is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA. While RIEMA has historically been a standalone agency, since 2000 it operated as a program within Military Staff. The Governor separates RIEMA from Military Staff, proposing RIEMA can more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions.

The Governor recommends funding two major capital projects; a new Emergency Management headquarters and the enhancement and further development of the Rhode Island Statewide Communications System Network (RISCON).

CENTRAL MANAGEMENT

The Central Management program is the sole program at RIEMA, and is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Governor recommends 32.0 FTE positions in FY2014 and in FY2015, consistent with the enacted level.

Central Management	General Revenue
FY2014 Enacted	\$2,508,946
<i>Target and Other Adjustments</i>	<i>(64,325)</i>
RISCON Maintenance Contracts	(484,763)
FY2015 Governor	\$1,959,858

Central Management	Other Fund Changes
Disaster and Emergency Preparedness Grants	(3,319,564)
Personnel Changes	477,690

RISCON Maintenance Contracts **(\$484,763)**

The Governor includes \$1.1 million in general revenue to operate and maintain the 800MHz Rhode Island Statewide Communications System Network (RISCON). RISCON provides an emergency radio system connecting all 39 communities and state agencies. The FY2014 Budget as Enacted anticipated the two-year contract cost to be \$1.6 million during FY2014 and FY2015, and included an escalation in the contract price for FY2015. In the fall of 2013, the State negotiated and signed a new contract with the vendor (Motorola) covering July 1, 2013, to June 30, 2015. Under the new contract, the State was able to renegotiate the contract price and cost escalation, thereby reducing the contract cost to \$1.1 million, resulting in a savings of \$484,763 in FY2015.

Disaster and Emergency Preparedness Grants (federal funds) **(\$3.3 million)**

The Governor recommends \$13.9 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events, and for preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events intended to improve and enhance the ability to prevent, deter, respond to, and recover from threats and incidents. The Governor recommends a net decrease of \$3.3 million in federal funds for FY2015. The decrease of funding reflects a trend in federal reward patterns that base awards on risk, and as states become better prepared, they become less risky and receive less federal funding. The following table highlights the more significant changes in FY2015. The all other grants item summarizes the changes within 34 other programs.

	FY2014	FY2015	
RIEMA Federal Grants	Enacted	Governor	Change
Tropical Storm Irene	\$4,997,500	\$0	(\$4,997,500)
Hurricane Sandy October 2012	-	2,550,000	2,550,000
Nemo Blizzard 2012	-	1,920,845	1,920,845
FEMA Flood Hazard Mitigation	279,896	1,500,000	1,220,104
All Other Grants (34)	11,992,614	7,979,601	(4,013,013)
Total	\$17,270,010	\$13,950,446	(\$3,319,564)

Personnel Changes (federal funds and restricted receipts) **\$477,690**

The Governor recommends \$2.6 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$957,948 in federal offset by a decrease of \$480,258 in restricted receipts, for a net increase of \$477,690 from the FY2014 Budget as Enacted. The Governor shifts more salaries and benefits to federal funds after RIEMA completed a program and grant guidance analysis. RIEMA realigned job duties to maximize personnel expenditures through federal funding and did an analysis on indirect cost recoveries and found that the Agency had a lower amount of actual achievable indirect cost than the original recovery amount.

CAPITAL PROJECTS

The Governor recommends a total of \$48.7 million (\$7.6 million RICAP) in capital projects between FY2014 and FY2019, including:

- \$7.5 million between FY2015 and FY2017 to design and construct a new Emergency Management headquarters and emergency operations center. The project as proposed includes administrative offices, information technology and communications facilities, support facilities for emergency operations, the State Emergency Operations Center, and a radiological vault. Currently, RIEMA shares space in the Command Readiness Center, which it believes is insufficient for proper response coordination for natural or man-made disasters.

Analyst's Note: The Governor includes \$29,643 in RICAP funds in FY2014 to complete the feasibility study for the new facility. Also, during the Department of Administration Capital Review Committee meeting a suggestion was made to have RIEMA consider rehabilitating an existing state-owned facility at the Pastore Center in Cranston rather than constructing a new facility.

- \$167,000 in RICAP funds in FY2015 for residual disbursements related to the Hurricane Sandy repairs. Over the last two years, the State received and spent \$17.4 million (\$12.3 million federal funds and \$5.1million RICAP funds) to reimburse State entities for expenses incurred during the cleanup and repair of structures damaged by Hurricane Sandy on October 29, 2012. Federal funding was provided from the Federal Emergency Management Agency (FEMA) Public Assistance Program which required the State to provide a 25.0 percent state match towards the federal grants. RICAP funds were used to provide the state match.
- \$2.0 million in FY2015 (\$1.0 million in general revenue and \$1.0 million in federal funds) to begin the Rhode Island Statewide Communications System Network (RISCON). The project entails the enhancement and further development of the RISCON, the main communications platform used for the daily operations of all public safety agencies in the state.

Department of Public Safety

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$5.3	\$5.3	\$6.0	\$0.7	12.4%	\$5.4	\$0.0	0.3%
E-911	5.0	5.5	5.4	(0.0)	-0.8%	5.4	(0.1)	-1.1%
Fire Marshal	2.9	4.0	3.7	(0.3)	-7.6%	5.3	1.3	32.4%
Municipal Police Training	0.5	0.6	0.6	0.0	4.2%	0.6	0.1	14.3%
Security Services	20.4	21.8	21.1	(0.7)	-3.3%	21.8	(0.0)	-0.1%
State Police	69.8	86.2	87.5	1.3	1.5%	89.3	3.0	3.5%
Total	\$103.9	\$123.5	\$124.4	\$0.9	0.7%	\$127.8	\$4.3	3.5%
Expenditures by Source								
General Revenue	\$90.4	\$96.4	\$94.6	(\$1.7)	-1.8%	\$96.0	(\$0.4)	-0.4%
Federal Funds	6.0	6.2	10.4	4.3	69.7%	6.9	0.7	12.0%
Restricted Receipts	3.1	12.8	12.9	0.1	0.8%	12.9	0.1	0.9%
Other Funds	4.4	8.2	6.5	(1.7)	-21.3%	12.1	3.9	47.4%
Total	\$103.9	\$123.5	\$124.4	\$0.9	0.7%	\$127.8	\$4.3	3.5%
Authorized FTE Levels	609.2	645.2	634.2	(11.0)	-1.7%	634.2	(11.0)	-1.7%

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

The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$96.0 million in general revenue, which reflects a decrease of \$393,965, or 0.4 percent, in general revenue expenditures. Other funds increase by \$3.9 million (47.4 percent) in Rhode Island Capital Plan funds for a new proposal to construct a State Municipal Fire Academy Training Building to be used by all municipal fire departments in Rhode Island.

The Governor includes \$2.0 million in general revenue for the hiring of 36.0 FTE new recruits from the 55th State Trooper Police Training Academy. The State Police division currently has 220 sworn members, of which 46 are currently eligible to retire and another 28 eligible to retire in December 2014. In order to make up for these potential retirees, the Budget provides full year financing for the 36 new recruits in FY2015.

The Rhode Island State Police were awarded a 3.0 percent raise for all troopers, corporals, and sergeants, retroactive to May 2012, from an October 25, 2013, arbitration ruling. The Governor includes \$759,189 in the FY2014 Supplemental budget and \$815,890 in FY2015, as this ruling occurred after the FY2014 Budget was enacted.

The Budget increases Rhode Island Capital Plan funds by \$7.4 million in FY2015 from the enacted level, with \$6.5 million slated for the State Police Barracks and Training Academy Renovations. Google forfeiture funds are proposed for costs associated with two capital projects: the State Police Barracks and Training Academy Renovations project will use \$4.5 million in Google funds through FY2016, beginning with \$300,000 for renovations and repairs to the four Rhode Island State Police barracks in FY2014. A second project, construction of the Consolidated Training Academy, includes \$9.8 million in Google funds through FY2018, beginning with \$400,000 in FY2014.

CENTRAL MANAGEMENT

The Central Management unit consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

The Budget includes 16.6 FTE positions in FY2014 and FY2015 for the Central Management program, consistent with the FY2014 Budget as Enacted.

Central Management	General Revenue
FY2014 Enacted	\$1,240,692
<i>Target and Other Adjustments</i>	<i>(49,981)</i>
Paralegal Clerk Position	58,175
FY2015 Governor	\$1,248,886

Paralegal Clerk Position **\$58,175**

The Governor increases general revenue funding by \$58,175 for 1.0 FTE Paralegal Clerk in the Central Management division to assist staff attorneys in departmental legal matters. The Governor removes the General Counsel position from the FTE count as funding was never provided for this position; therefore, there is no change in the FTE cap for the program.

E-911

The E-911 Uniform Emergency Telephone System's objective is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP.

The Budget includes 50.6 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

E-911	General Revenue
FY2014 Enacted	\$5,488,731
<i>Target and Other Adjustments</i>	<i>42,047</i>
Operating Expenses	(102,299)
Surcharge Revenues	Informational
FY2015 Governor	\$5,428,479

Operating Expenses **(\$102,299)**

The Budget includes an operating funds decrease of \$102,299, the majority of which comes from one-time hardware purchases that occurred in FY2014 for service and maintenance of the E-911 system. The one-time hardware purchases include upgrades to an Uninterrupted Power Source totaling \$18,000 and a router in the amount of \$77,000.

Surcharge Revenues **Informational**

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004

to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. Following is a snapshot of surcharge collections, and general revenue expenditures for E-911.

Fiscal Year	Revenue	Expenditures	Net Amount to
			General Fund
2010	\$17,898,223	\$4,635,901	\$13,262,322
2011	17,248,460	4,829,770	12,418,690
2012	17,255,771	4,766,586	12,489,185
2013	17,507,117	5,103,735	12,403,382
2014*	17,240,696	5,514,873	11,725,823
2015*	17,428,276	5,642,904	11,785,372

* FY2014 and FY2015 expenditures reflect the Department's FY2014 Revised Budget request and the FY2015 Budget request. Revenue estimates were provided by the Office of Revenue Analysis.

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Fire Marshal	General Revenue
FY2014 Enacted	\$2,894,425
<i>Target and Other Adjustments</i>	<i>(841)</i>
Personnel	(147,129)
FY2015 Governor	\$2,746,455
Personnel	(\$147,129)

The Governor recommended a decrease of \$147,129 in personnel costs, including a shift of 1.0 FTE Clerk Position from general revenue to a restricted receipt account associated with the Fire Education and Training Academy. Furthermore, the Governor recommends shifting 20.0 percent of the Fire Marshal position to the Fire Academy Training Fees restricted receipt account, with the assumption that this position spends a certain amount of time working at the Training Academy.

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln.

The Budget includes 2.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the Budget as Enacted.

Municipal Police Training	General Revenue
FY2014 Enacted	\$293,022
<i>Target and Other Adjustments</i>	<i>2,918</i>
Personnel	(50,561)
FY2015 Governor	\$245,379

Personnel **(\$50,561)**

The Governor recommends a decrease of \$50,561 in personnel costs, partially due to a decrease of 1.0 FTE for the Director of the Municipal Police Training Academy. This position has been vacant since FY2012 and the responsibilities have been fulfilled by the 1.0 FTE Coordinator of Instruction position who has been serving as acting director. The FY2014 Enacted Budget fully-funded the Director position assuming that the Coordinator position would assume this role in an acting capacity, therefore achieving turnover savings from leaving the Coordinator position vacant throughout FY2014. The FY2015 Budget no longer funds the Director position (\$106,637) and instead finances the Coordinator position (\$66,440), achieving greater turnover savings from leaving the Director position vacant.

SECURITY SERVICES

The Security Services program consists of the Capitol Police, and, beginning in FY2012, the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 state buildings, including the State House, the courthouses, and numerous Executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The Division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Budget includes 220.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 3.0 FTEs from the Budget as Enacted.

Security Services	General Revenue
FY2014 Enacted	\$21,814,553
<i>Target and Other Adjustments</i>	<i>(40,479)</i>
Sheriffs - Personnel	334,166
Capitol Police - Personnel	(306,590)
FY2015 Governor	\$21,801,650

Sheriffs – Personnel **\$334,166**

The Governor includes an additional \$353,621 to fill 7.0 vacant FTE positions through internal promotions along with backfilling 5.0 Deputy Sheriff positions vacated based on the internal promotion schedule.

Additionally, the Governor includes \$62,124 to promote 6.0 Deputy Sheriff positions from 35 to 40 hour work weeks. The Governor's plan is to continue this trend each fiscal year until all employees are on a 40-hour workweek.

Analyst's Note: In 2005, a settlement was reached between the Department of Administration and the Division of Sheriffs, increasing work week hours in the Division from 35 to 40 hours. The Sheriff's union has indicated that the State has not fulfilled the requirements of the consent order by not transferring all Sheriff's to the 40 hour work week. However, the State believes the obligation has been filled, transferring the agreed upon number (48.0 FTE positions) to 40 hours work weeks. Currently, the Division has two sets of sheriffs: 98.0 FTE Sheriff positions working 35 hour weeks and 58.0 FTE Sheriff positions working 40 hour weeks. The Division has stated that they are in discussions with Council 94 and the Department Of Administration to try and come up with an amenable arrangement to resolve this issue.

Capitol Police – Personnel

(\$306,590)

The Budget decreases by \$306,590 for 3.0 FTE Capitol Police positions which are being shifted from general revenue to the Capitol Police Rotary (internal service) account. This account is funded from payments made by other State departments that use the Capitol Police services.

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General's Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state. The Budget includes 289.0 FTE positions in FY2014 and FY2015, a decrease of 10.0 FTE positions from the budget as enacted.

State Police	General Revenue
FY2014 Enacted	\$64,630,376
<i>Target and Other Adjustments</i>	<i>(971,771)</i>
55th State Police Training Academy	2,000,000
Contract Arbitration	815,892
Retiree Healthcare	(800,000)
Elimination of 10.0 FTE Trooper Positions	(619,046)
Turnover	(630,867)
New 1.0 FTE Lead Information Systems Specialist	72,401
State Police Vehicles	Informational
FY2015 Governor	\$64,496,985

55th State Police Training Academy

\$2.0 million

The Governor includes \$2.0 million for full year salary and benefits for the 36.0 FTE position recruits from the 55th State Police Training Academy, which concluded on December 13, 2013. The Department requested funding for a 56th State Police Training Academy in FY2015; however, the Governor recommends delaying this class until FY2016.

Contract Arbitration

\$815,892

The Rhode Island State Police were awarded a 3.0 percent raise for all troopers, corporals, and sergeants, retroactive to May 2012, from an October 25, 2013, arbitration ruling regarding salaries of troopers,

corporals, and sergeants. The award increased base salaries for these positions after reviewing trooper salaries in other northeastern states. The Governor includes \$815,890 in FY2015 and \$759,189 in the FY2014 Supplemental budget, as this ruling occurred after the FY2014 Budget was enacted.

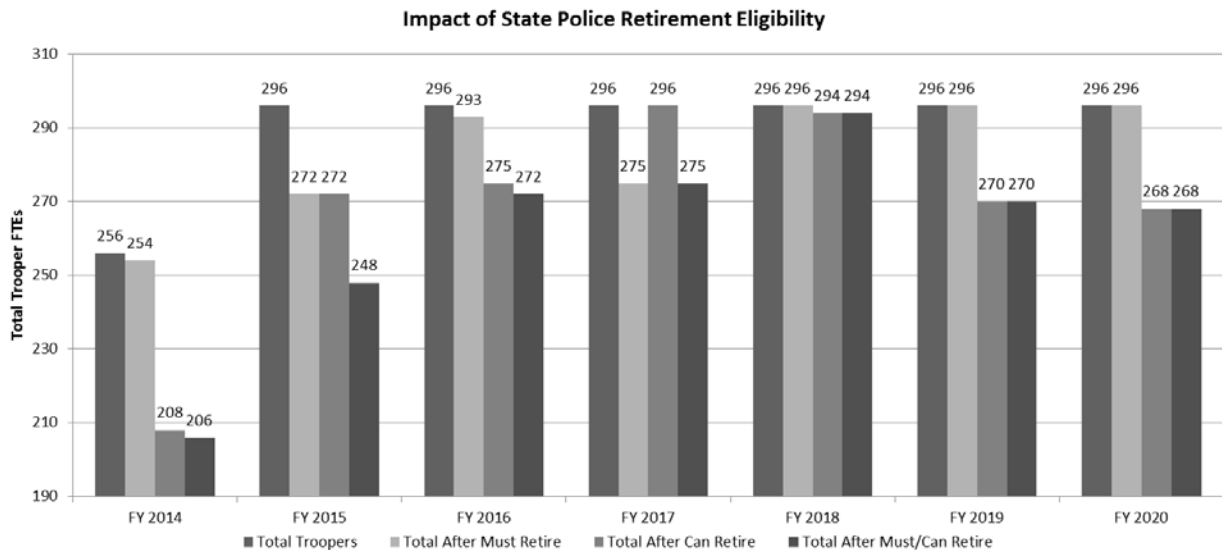
Retiree Healthcare **(\$800,000)**

The Governor includes savings of \$800,000 in retiree healthcare benefits. This proposal would require any retired State Police Officer who is currently employed by a non-State entity and eligible to receive health insurance benefits through their current employer to move off State health insurance coverage.

Analyst Note: The Budget Office removed \$800,000 from the State Police Retiree Health account, with the assumption that this change is allowable in the current State Police contract and that there will not be a need to introduce legislation.

Elimination of 10.0 FTE Trooper Positions **(\$619,046)**

The Budget decreases \$619,046 for 10.0 FTE Trooper positions based on various trooper retirements and turnover from anticipated retirements in the program. The Governor includes this amount to reflect past attrition levels since the Department does not control non-mandatory retirements. There are 74.0 FTE position troopers eligible to retire in FY2015.



Turnover **(\$630,867)**

The Governor includes savings of \$630,867 for adjustments to overtime costs based on the five year average of this expenditure within the State Police program.

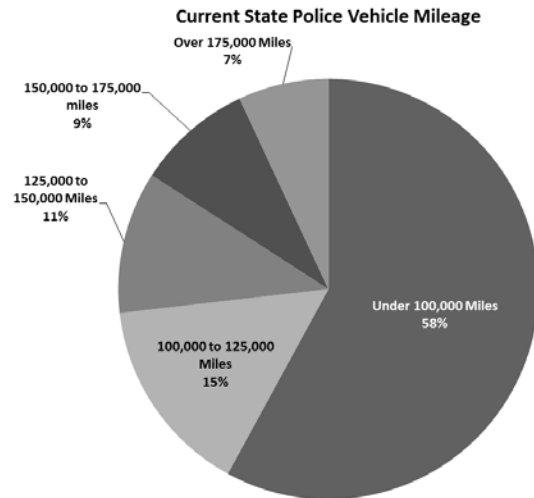
New 1.0 FTE Lead Information Systems Specialist **\$72,401**

The Governor recommends \$72,401 for the addition of 1.0 FTE position Lead Information Specialist to provide technical assistance alongside the State Police Management Information Systems (MIS) Unit.

State Police Vehicles

The Department currently has 302 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 7.0 percent (21 vehicles) are over 175,000 miles. The Department has been allotted \$700,000 from the State Revolving Loan Fund for vehicle purchases in FY2014 to replace 20-25 vehicles and is working with the Division of Purchasing to have a Master Price Agreement put in place to purchase 100 new vehicles over 3 years. Purchasing new vehicles would likely decrease costs associated with vehicle maintenance. In FY2013, the Department purchased 154 new vehicles using Google forfeiture funds. The average useful life of these vehicles is 6.5 years.

In FY2015, the Governor decreases general revenue by \$30,258 for state fleet overhead costs relating to vehicle maintenance and repairs. The Department currently has 172 vehicles over 100,000 miles (42.0 percent of the fleet). The Governor increases \$785,565 from Road Construction Reimbursements from the Department of Transportation for road details performed by the State Police, which help to pay for maintenance costs, for an all funds total of \$1.8 million for the program. This amount is consistent with past expenditure levels.

Informational**CAPITAL PROJECTS**

The Budget proposes a total of \$253.9 million in capital projects from FY2014 through FY2018, including \$14.7 million in restricted receipts from Google forfeiture funds.

- The Consolidated Training Academy facility will combine the current training facilities of RI State Police, Providence Police, and Municipal Police departments at the site of the former Ladd School in Exeter. Total project costs are estimated at \$19.5 million, including \$9.8 million of Rhode Island Capital Plan (RICAP) funds (\$1.3 million in FY2016). Google funds previously approved by U.S. Department of Justice will be used in FY2014 (\$400,000) and FY2015 (\$850,000).
- Four State Police barracks are undergoing various upgrades to bring them up to date to meet Americans with Disabilities Act (ADA) requirements, upgrade security features, and to accommodate female Troopers. The Governor includes RICAP funding of \$557,317 in FY2014, \$6.4 million in FY2015, and \$5.9 million to complete the project in FY2016. This project is partially funded with \$4.9 million in Google forfeiture funds.
- The Governor includes \$216,500 in FY2014 and \$1.9 million in FY2015 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices to the present portion of the Exeter facilities. “Phase 1” of this project was funded by general obligation bonds to include a new four-acre burn pad, paved parking, outdoor burn props, and other “hands-on” portions of the training academy.

Office of the Public Defender

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Public Defender	\$10.7	\$11.3	\$11.1	(\$0.2)	-1.6%	\$11.4	\$0.1	0.5%
Total	\$10.7	\$11.3	\$11.1	(\$0.2)	-1.6%	\$11.4	\$0.1	0.5%
Expenditures by Source								
General Revenue	\$10.5	\$11.0	\$10.9	(\$0.1)	-1.4%	\$11.1	\$0.1	0.9%
Federal Funds	0.2	0.3	0.3	(0.0)	-12.0%	0.2	(0.0)	-14.8%
Total	\$10.7	\$11.3	\$11.1	(\$0.2)	-1.6%	\$11.4	\$0.1	0.5%
Authorized FTE Levels	93.0	93.0	93.0	-	-	93.0	-	-

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR FY2015

The agency's budget is almost entirely funded by general revenues (97.8 percent). The Budget reflects adjustments to current services required for salary and benefit requirements of the existing staff and statewide target adjustments. Funding is also included for contract services for expert witness services and intake eligibility technicians. The Budget also includes \$25,750 in FY2015 for the continued computer network and operating systems upgrades of a case management system and access to the court information system.

The Budget includes 93.0 FTE positions for the program in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Central Management	General Revenue
FY2014 Enacted	\$11,034,686
<i>Target and Other Adjustments</i>	<i>96,130</i>
FY2015 Governor	\$11,130,816

Department of Environmental Management

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Office of the Director	\$7.4	\$7.7	\$8.3	\$0.7	8.5%	\$7.8	\$0.1	1.0%
Bureau of Natural Resources	33.6	74.5	68.7	(5.8)	-7.7%	57.5	(17.0)	-22.8%
Bureau of Environmental Protection	26.5	34.0	30.4	(3.6)	-10.5%	30.6	(3.4)	-10.1%
Total	\$67.6	\$116.2	\$107.5	(\$8.7)	-7.5%	\$95.8	(\$20.4)	-17.5%
Expenditures by Source								
General Revenue	\$34.1	\$34.8	\$34.2	(\$0.6)	-1.6%	\$34.9	\$0.1	0.3%
Federal Funds	18.3	38.4	36.1	(2.3)	-5.9%	31.8	(6.6)	-17.2%
Restricted Receipts	12.0	18.1	18.9	0.8	4.5%	15.9	(2.1)	-11.9%
Other Funds	\$3.1	\$24.9	\$18.3	(6.7)	-26.8%	\$13.2	(11.7)	-46.9%
Total	\$67.6	\$116.2	\$107.5	(\$8.7)	-7.5%	\$95.8	(\$20.4)	-17.5%
Authorized FTE Levels	399.0	399.0	399.0	-	0.0%	399.0	-	0.0%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor's FY2015 budget includes an all funds decrease of \$20.4 million, or 17.5 percent from the FY2014 Budget as Enacted, primarily due to funding changes in capital projects. The budget recommendation includes a \$113,787 (1.0 percent) increase in general revenue expenditures compared to the FY2014 Budget as Enacted. General revenues make up 36.4 percent of DEM's budget. The Governor reduces federal funding to reflect historic spending levels.

Through Article 18, the Governor codifies in law the Office of Technical and Customer Assistance within the DEM as part of its efforts to improve customer service. Beginning in 2011, DEM's Bureau of Environmental Protection undertook a Lean Government Initiative to assess and review regulatory and permitting processes within the Department. The Department continues to expand this initiative to other programs, and the formal establishment of this Office is consistent with that process. This initiative does not involve any new positions but is a reorganization of existing resources.

OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the state's environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. The Governor recommends 34.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Office of the Director	General Revenue
FY2014 Enacted	\$4,609,334
<i>Target and Other Adjustments</i>	(55,767)
FY2015 Governor	\$4,553,567

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the state's marine, freshwater, and upland resources. The Bureau administers the state's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The Governor recommends 185.0 FTE positions in FY2014 and FY2015 for the program. One FTE is shifted from the Bureau of Environmental Protection. Within the cap, the Governor recommends three new positions and eliminates three vacant positions to offset the increase, and adjusts expenditures across programs to reflect changes in positions.

Bureau of Natural Resources	General Revenue
FY2014 Enacted	\$18,718,638
<i>Target and Other Adjustments</i>	185,379
Seasonal Recreation Positions	169,444
Implementation Aide	81,978
Senior Reconciliation Clerk	67,930
Wildlife Development Senior Biologist	20,690
FY2015 Governor	\$19,074,615

Seasonal Recreational Positions **\$169,444**

The Governor provides \$169,444 in general revenue for seasonal recreation positions due to the increase in minimum wage from \$7.75 per hour to \$8.00 per hour which takes place January 1, 2014. The increase impacts management area rangers, park rangers, park clerks, and seasonal clerical support.

Implementation Aide **\$81,978**

The Governor includes \$81,978 in salary and benefits for an Implementation Aide position to assist with land acquisitions, working to leverage federal and private funds, and special projects. The Governor eliminates a vacant position to offset the increase and adjusts costs across programs accordingly.

Senior Reconciliation Clerk **\$67,930**

The Governor includes \$67,930 in salary and benefits for a Senior Reconciliation Clerk to provide administrative support to the Office of Coastal Resources in the management of the Newport and Galilee State Piers. The Governor eliminates a vacant position to offset the increase and adjusts costs across programs accordingly.

Wildlife Development Senior Biologist **\$20,690**

The Wildlife Development Senior Biologist position is required by a memorandum of understanding (MOU) with the Department of Administration for oversight of the Big River Management Area. The total cost of the position is \$82,759; however, 75.0 percent is federally funded (\$62,069) and the remaining \$20,690 is funded with general revenue. Pursuant to the MOA, DEM will manage the habitat,

educational, and recreational resources, and continue to exercise enforcement authority over the management area; however, the Department of Administration (DOA), through the Water Resources Board (WRB), will continue to manage the residential and commercial lease agreements, the athletic fields, fire training grounds, and model airplane field. The WRB will also continue to manage and maintain the infrastructure of the management area, such as streets, bridges, culverts, signage, and storm drainage systems. The Governor eliminates a vacant position to offset the increase and adjusts costs across programs accordingly.

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Governor recommends 180.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE position from the FY2014 Budget as Enacted. The position and funds are shifted to the Bureau of Natural Resources.

Bureau of Environmental Protection	General Revenue
FY2014 Enacted	\$11,428,346
<i>Target and Other Adjustments</i>	<i>(186,423)</i>
FY2015 Governor	\$11,241,923

CAPITAL PROJECTS

The Governor recommends a total of \$14.2 million in capital expenditures from Rhode Island Capital Plan funds in FY2014 and \$9.5 million in FY2015, including:

- \$3.9 million in FY2014 and \$2.5 million in FY2015 for sailing upgrades at Fort Adams.
- \$2.7 million in FY2014 and \$500,000 in FY2015 for repairs at the Galilee Piers.
- \$447,453 in FY2014 and \$2.3 million in FY2015 for the construction of a new office facility/visitor center in the Arcadia Management Area.
- \$2.6 million in FY2015 (shifted from FY2014) for the World War II Memorial State Park in Woonsocket.
- \$1.3 million in FY2014 and \$550,000 in FY2015 for repairs to “high-hazard” state-owned dams.
- \$2.8 million in FY2014 and \$400,000 in FY2015 for infrastructure and facility improvements at state parks and management areas.

Coastal Resources Management Council

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Coastal Resources Management Council	\$4.7	\$4.7	\$4.8	\$0.1	1.8%	\$4.2	(\$0.5)	-10.0%
Expenditures by Source								
General Revenue	\$2.2	\$2.2	\$2.2	(\$0.0)	-0.7%	\$2.2	\$0.0	0.5%
Federal Funds	2.0	2.2	2.3	0.2	8.1%	1.8	(0.4)	-16.6%
Restricted Receipts	0.2	0.4	0.3	(0.1)	-33.3%	0.3	(0.1)	-33.3%
Other Funds	0.2	-	0.1	0.1	0.0%	-	0.0	0.0%
Total	\$4.7	\$4.7	\$4.8	\$0.1	1.8%	\$4.2	(\$0.5)	-10.0%
Authorized FTE Levels	29.0	29.0	29.0	-	0.0%	29.0	-	0.0%

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

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the state. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor's FY2015 budget recommendation for CRMC includes an all funds decrease of \$471,755 (10.0 percent) from the FY2014 Budget as Enacted. This decrease includes a general revenue increase of \$11,207, reflecting statewide target adjustments, a federal funds decrease of \$357,980, and a decrease of \$124,982 in restricted receipts. The Governor recommends 29.0 FTE positions in FY2014 and FY2015 for CRMC, level with the FY2014 Budget as Enacted.

The Governor decreases federal funds primarily to reflect the expected completion of work on the River Ecosystem Restoration and the Marine Habitat Characterization federal grants (a \$432,536 decrease), which is partially offset by an increased expenditure estimate for the Narragansett Bay Habitat Restoration.

To address issues concerning climate change, the CRMC has proposed the development of a new Erosion Special Area Management Plan (SAMP) to provide a comprehensive approach to addressing erosion issues along the Rhode Island shoreline. The Erosion SAMP is intended to provide practical policies and guidance for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise. The CRMC requested \$150,000 in Rhode Island Capital Plan (RICAP) funding annually in FY2014 and FY2015. The Governor does not propose any funding for this project; however, the CRMC is pursuing alternative funding sources.

Analyst's Note: The FY2014 Budget as Enacted decreased general revenue by \$124,982 to offset an increase in resources for administrative costs at the Department realized through indirect cost recovery from current federal grants and a corresponding increase in restricted receipts. However, according to a letter from the National Oceanic Atmospheric Administration (NOAA), dated December 4, 2013, CRMC already charges many of these expenses to the federal grant provided by NOAA under the Coastal Zone Management Act and therefore the indirect cost recovery would not allow the state to realize any additional federal funding and would result in less funding to carry out tasks associated with the coastal management program. The Governor does not address the issue of the cost recovery but reduces restricted receipt funding by a corresponding amount.

Department of Transportation

Expenditures by Program ¹	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$6.9	\$12.8	\$9.7	(\$3.1)	-24.6%	\$11.0	(\$1.8)	-14.0%
Infrastructure-Engineering	360.3	397.6	417.9	20.3	5.5%	451.5	53.9	13.6%
Infrastructure-Maintenance	39.2	48.4	48.5	0.1	0.2%	54.6	6.2	12.8%
Management and Budget	1.7	1.5	2.2	0.6	52.4%	2.2	0.7	44.7%
Total	\$408.0	\$460.2	\$478.2	\$17.9	3.9%	\$519.2	\$59.0	12.8%

Expenditures by Source ¹								
Federal Funds	\$272.4	\$311.8	\$349.1	\$37.4	12.0%	\$352.1	\$40.4	12.9%
Restricted Receipts	1.0	8.0	6.9	(1.1)	-14.3%	12.4	4.3	54.2%
Other Funds	134.7	140.5	122.2	(18.3)	-13.0%	154.8	14.3	10.2%
Total	\$408.0	\$460.2	\$478.2	\$17.9	3.9%	\$519.2	\$59.0	12.8%

Authorized FTE Levels	772.6	772.6	752.6	(20.0)	-2.6%	752.6	(20.0)	-2.6%
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\$ in millions. Totals may vary due to rounding.

¹ Does not reflect debt service transfers of \$8.0 million in FY2013, \$9.3 million in FY2014, and \$19.3 million in FY2015 to DOA general revenue.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 834 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of modern traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), and funds dedicated to elderly transportation.

MAJOR ISSUES AND TRENDS FOR FY2015

The Governor allocates a total of \$519.2 million to RIDOT, an increase of \$59.0 million from the FY2014 Budget as Enacted (12.8 percent). This increase includes \$40.4 million more in federal Highway Projects funds, based upon revised expenditure projections for various highway projects; a \$4.3 million increase in restricted receipts from the phase-in of higher DMV fees; and \$14.3 million in other funds due primarily to a \$4.4 million increase in Rhode Island Capital Plan expenditures, an increase of \$7.5 million from I-195 relocation land sales, and \$2.5 million in additional maintenance costs.

The Governor continues to shift debt service costs to general revenue, and allocates newly available motor fuel tax revenues, and funds from the Intermodal Surface Transportation Fund, to a statewide bridge rehabilitation program (\$100.0 million); drainage preservation program (\$3.0 million); and the purchase of heavy vehicle equipment (\$6.0 million).

A report issued in January 2014 by the Special Legislative Commission to Study the Funding for East Bay Bridges states that Rhode Island will require more than \$1.0 billion in additional transportation infrastructure improvement funding over the next ten years for which no funding source has been identified. The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration. These funds are primarily used to build the state's infrastructure and require a 20.0 percent state match requirement. The two-year transportation authorization titled "Moving Ahead for Progress in the 21st Century", known as MAP-21, which is funded through the federal gasoline tax of 18.4 cents per gallon, is projected to be insolvent by September 2014. If there is no further action by the federal government, the trust fund will be depleted, and the majority of all federal funds that are part of the State's annual Transportation Improvement Program (TIP) will not be available. This could delay work in both FY2015 and FY2016.

The Department expects to incur winter maintenance costs of \$15.3 million, approximately 15.0 percent more than its \$13.4 million budget for FY2014, due to a higher than average number of storms. A national road salt shortage has impacted Rhode Island, as well. The Department is conserving salt usage until a salt delivery arrives in early March. The Department has a contract to purchase salt at \$55.98 per ton; however, additional storms will bring expenditures for road salt from \$5.3 million to approximately \$6.8 million this fiscal year.

Article 21

Since FY2013, RIDOT debt service expenditures are being shifted incrementally to the Department of Administration, freeing-up motor fuel tax revenue that had previously paid debt service for the Department's use. Through Article 21, the Governor requires RIDOT to use that freed-up motor fuel tax revenue to provide additional funding for the programs listed below. The Governor dedicates \$100.0 million of existing RIDOT resources over six years for a statewide bridge rehabilitation program, \$3.0 million over six years for a drainage preservation program, and \$6.0 million over six years for the purchase of heavy vehicle equipment.

This article also requires \$10.0 million from the Intermodal Surface Transportation Fund be used for a preventative maintenance, preservation, and replacement program to address the condition of all state-maintained bridges in both FY2015 and FY2016.

Motor Fuel Tax Use under Article 21	FY2015	FY2016	FY2017	FY2018	FY2019	Total
Statewide Bridge Program ¹	\$10.0	\$15.0	\$15.0	\$20.0	\$20.0	\$80.0
Drainage Preservation Program	0.5	1.0	1.5	2.0	2.0	7.0
Heavy Vehicle Equipment Replacement Plan	2.4	2.5	2.5	2.5	2.5	12.4
Total	\$12.9	\$18.5	\$19.0	\$24.5	\$24.5	\$99.4

\$ in millions.

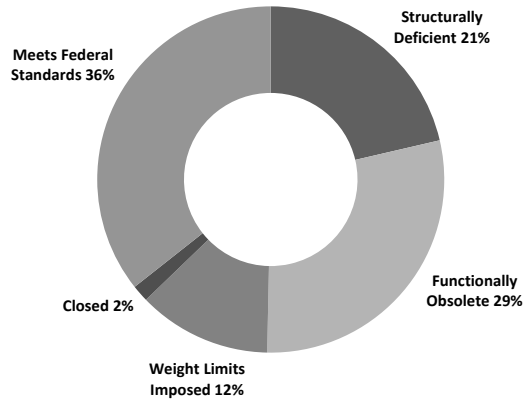
¹Includes \$10.0 million in both FY2015 and FY2016 from the Intermodal Surface Transportation Fund.

The Governor's Rhode Island Capital Plan includes additional funds for the Drainage Preservation Program and the Vehicle Equipment Replacement Program; however, Article 21 does not commit funding beyond FY2015.

Statewide Bridge Rehabilitation: The Governor recommends \$80.0 million in motor fuel tax revenue and \$20.0 million from other funds, through FY2020, to help eliminate the current backlog of structurally deficient bridges.

The federal government requires that states meet a standard of 10.0 percent or less of National Highway System bridges be classified as structurally deficient. A state with greater than 10.0 percent structurally deficient for three consecutive years can face penalties and be compelled to dedicate an increased share of federal funds to bridge projects. To address this objective, RIDOT developed a ten-year Better Bridges Program, which indicates that an additional \$40.0 million annually would be required to meet the federal standard. Without additional funding, the Department estimates that 31.0 percent of the National Bridge Inventory in Rhode Island would be classified as structurally deficient within a ten-year period. These funds will allow the State to reduce that projection to 24.0 percent, a decrease of 7.0 percentage points. Currently, 21.4 percent of the State’s National Bridge Inventory is classified as structurally deficient, and the average age of bridges in Rhode Island is 50 years.

**National Bridge Inventory (NBI):
Classification of Rhode Island Bridges¹**



¹NBI evaluates bridges 20 feet in length or greater.

Highway Drainage Preservation: The Governor recommends \$500,000 in FY2015 from motor fuel tax revenues to establish a Highway Drainage Preservation program. Funding increases by \$500,000 each year, reaching \$2.0 million in FY2018, and continuing indefinitely. The State has approximately 25,000 catch basins, and federal law mandates that they be inspected on an annual basis and cleaned as needed. Currently, approximately 1,000 of these basins are inspected and cleaned annually. As catch basins fill with sand and other sediments, they become ineffective and cause pooling at low points on roadways. Additionally, when storm water is not appropriately handled by the catch basins, runoff can cause additional pollution when reaching bodies of water, including groundwater, wetlands and rivers. The Department estimates that an initial investment of \$500,000 per year would increase the number of catch basins serviced annually by 300, depending on the condition of the basin.

Vehicle Equipment Replacement Plan: The Governor recommends \$12.4 million in motor fuel tax revenue, along with \$12.5 million in RICAP funding, between FY2015 and FY2019, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Vehicle Replacement	FY2014	FY2015	FY2016
Heavy 6-wheel Dumps	5	4	4
Heavy 10-wheel Dumps	7	6	3
Tractor	2	3	2
Sweeper	3	2	3
Backhoe	1	1	1
Bucket Truck	1	1	2
Light Tower Truck	1	1	0
Stetco (Vacuum) Hydraulic Truck	2	1	2
Tanker	1	2	1
Truck Mounted Attenuators	2	1	2
Loader	0	1	1
Welding	0	1	0
Total	25	24	21

According to the Department, the proposed replacement plan would require \$5.6 million in FY2014, \$5.3 million in FY2015, and \$5.6 million in FY2016, which is more than recommended by the Governor (\$3.4 million in FY2014, \$4.9 million in FY2015, and \$5.0 million in FY2016).

Sustainable Transportation Funding

The Governor's recommendation addresses the ongoing shortfall in the Department's operating revenues and continues the plan enacted by the General Assembly to address capital funding, including:

- Decreases debt service expenses by shifting the Department's debt service costs to general revenue funds under the Department of Administration (DOA) budget. This shift is scheduled to occur annually until all transportation debt service costs are charged to DOA. These payments will increase over time, reaching \$41.7 million in FY2021, before reduction and eventual elimination in FY2034 as the previously-issued general obligation bonds are extinguished and no further bonds are issued to provide state match.
- Shifts debt service in FY2013 through FY2030 from RIDOT to DOA, through the use of Build America Bonds, resulting in a refund of interest that would have otherwise been paid on a standard bond issue (\$1.9 million in FY2015).
- Refinances existing debt, saving \$8.9 million in FY2014 and \$6.6 million in FY2015.

Fiscal Year	Debt Service Transfer and Debt Restructuring			General Revenue ¹	Net Gas Tax Funded Debt Service
	Outstanding Debt Service	Build America Bonds Reimbursement	Projected Restructuring		
2014	\$50,527,798	(\$1,870,830)	(\$8,920,279)	(\$9,250,000)	\$30,486,689
2015	54,580,236	(1,870,830)	(6,630,740)	(19,250,000)	26,828,666
2016	50,237,900	(1,870,830)	393,114	(29,250,000)	19,510,184
2017	49,933,531	(1,870,830)	254,612	(39,250,000)	9,067,313
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)	-

¹ The FY2014 Budget as Enacted contained a one-time, \$750,000 decrease in the debt service transfer from RIDOT to DOA, requiring RIDOT to fund this amount of debt service from its share of gas tax proceeds.

Source: Department of Transportation

- **State Matching Funds (Federal Program):** The FY2012 Budget as Enacted increased driver's license fees and registration fees for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014), depositing the revenues from the increases into the Highway Maintenance Trust Fund, created in FY2012. Two-year registrations and driver's licenses are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

In addition to the fee increases, RICAP funding is used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

State Matching Funds	FY2014	FY2015	FY2016	FY2017	FY2018
Increase Two-Year Registrations by \$30	\$3.8	\$7.4	\$10.9	\$10.9	\$10.9
Increase One-Year Registrations by \$15	0.8	1.5	2.3	2.3	2.3
Increase License Fees by \$30	1.3	2.4	3.6	3.6	3.6
RICAP funding	21.1	21.6	23.2	23.2	23.2
Total Additional Revenue	\$27.0	\$33.0	\$40.0	\$40.0	\$40.0
Balance available from previous General Obligation Bond Issues	\$13.0	\$7.0	\$0.0	\$0.0	\$0.0
Total State Match	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

\$ in millions.

Despite these improvements, a shortfall still exists between the funding necessary to meet transportation needs and funding available. A report issued in 2008 by the Governor's Blue Ribbon Panel estimated the State would need to spend \$640.0 million annually to maintain its transportation infrastructure in a state of good repair, representing a \$285.0 million gap between needs and the funds received from federal, state, and other sources. A report completed in 2011 by the Senate Commission on Sustainable Transportation Funding reached a similar conclusion.

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by the State's 33.0 cent per gallon Gas (gas) tax. In FY2014 and FY2015, the motor fuel tax is expected to generate \$4.2 million per penny in revenue, with RIDOT receiving 21.75 cents per gallon of gasoline sold (\$90.0 million in FY2013). Proceeds from the general obligation bonds used to finance the State's match for annual FHWA formula funding are also deposited into the ISTF, as are federal funds for transportation purposes.

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Year	Per Penny Yield
2006	\$4,805,619
2007	4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014*	4,168,174
2015*	4,162,981

*Dept. of Revenue estimate

Motor Fuel Tax Distribution: Cents per Gallon

	General Revenue	DOT / Highway	RIPTA / Transit	UST Fund	Total
FY2009	\$0.0100	\$0.2075	\$0.0875	\$0.0050	\$0.3100
FY2010	-	0.2175	0.1075	0.0050	0.3300
FY2011	-	0.2175	0.1075	0.0050	0.3300
FY2012	-	0.2175	0.1075	0.0050	0.3300
FY2013	-	0.2175	0.1075	0.0050	0.3300
FY2014	-	0.2175	0.1075	0.0050	0.3300
FY2015	-	0.2175	0.1075	0.0050	0.3300

The following table shows the use of motor fuel tax revenue in FY2013:

Motor Fuel Tax Use (FY2013)	Revenue	Percent of total revenue
Transit Operations (RIPTA/DHS)	\$44.5	32.4%
G.O. Bond Debt Service (DOT)	34.4	25.0%
Personnel (DOT)	22.1	16.1%
Winter Maintenance (DOT)	13.7	10.0%
GARVEE Debt Service (DOT)	8.3	6.0%
Other Operations (DOT)	9.1	6.6%
Vehicle Maintenance (DOT)	3.3	2.4%
UST Fund	2.1	1.5%
Total	\$137.4	100.0%

\$ in millions.

Federal Funding – MAP 21

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the fourth highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.91), behind only Washington D.C., Alaska, and Vermont.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called “Moving Ahead for Progress in the 21st Century (MAP-21).” The limited time of the authorization is an improvement over the short-term extensions of SAFETEA-LU for planning purposes, but a two-year authorization still requires the state to make assumptions when projecting the availability of future federal resources.

The Federal Highway Trust Fund that supports federal highway and transit investments, and is the State’s largest funding source of the Highway Improvement Program (HIP), is expected to have insufficient cash to meet all of its funding commitments, resulting in steadily accumulating shortfalls as early as Fall 2014. Although the Fund was intended to be self-sustaining through the 18.3 cent per gallon Federal motor fuel tax, \$32.5 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. This means that states may not be able to obligate any new federal highway funds in fiscal year 2015. The Governor’s proposal assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on September 30, 2014. In the event that Congress fails to act by January 1, 2015, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new construction work would be started. There is also a potential for a delay in going out to bid for future projects.

RIDOT staff estimates approximately \$212.0 million in FFY2013 and \$214.0 million in FFY2014 in federal funds authorized under MAP-21 for Rhode Island. Prior to MAP-21, Rhode Island received one-half of one percent of all funds allocated to states nationwide as a result of the federal funding formula. With the advent of MAP-21, the FFY2013 allocations to states are based upon a three year average of funds received during FFY2009 through FFY2011.

Analyst’s Note: On February 18, 2014, Moody’s downgraded Rhode Island’s transportation GARVEE bonds one notch, from Aa3 to A1. The downgrade is due to the federal delay in passing a transportation funding bill, and Rhode Island is a state that has not identified other revenue sources to pay the bonds should federal funding be delayed significantly. According to Moody’s “the downgrades reflect change in federal liquidity management which increases the risk of interruption of timely payments of federal transportation aid to the states and transit entities. These include the government’s recurring episodes of threatened debt ceiling expirations, government shutdowns, and the threat of depletion of the highway trust fund balance later this year due to the fund’s persistent structural imbalance.

East Bay Bridge System

The FY2013 Budget as Enacted established the East Bay Bridge System Act of 2012, authorizing the transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from RIDOT to the Rhode Island Turnpike and Bridge Authority (RITBA) to increase access to alternate funding sources for proper bridge maintenance. The Act allowed the Authority to establish and collect tolls on the Sakonnet River Bridge.

There is no net impact on expenditures within the RIDOT. Transferring control of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to RITBA enables RIDOT to begin addressing unmet infrastructure investments, such as those identified in the East Bay.

Under current bond covenants, the Authority cannot assume authority of additional assets (in this case the Sakonnet River Bridge and Jamestown Verrazzano Bridge) unless a funding stream is provided for the maintenance of those assets. The Chairman of the RITBA Board stated that unless a toll is implemented on the Sakonnet Bridge, tolls would need to be increased on the Newport Pell Bridge or reinstated on the Mount Hope Bridge in order to meet current funding obligations associated with a \$68.0 million bond issuance, authorized by the General Assembly, for maintenance and repairs to the Newport/Pell and Mt. Hope Bridges.

RITBA examined a range of options to ensure that all bridges under its purview were appropriately operated and maintained, including tolling options to generate adequate resources to support a long-term capital improvement and maintenance program. RITBA has estimated a cost of \$350.0 million over the next ten years for maintenance and repair of the four-bridge system: \$277.0 million in capital costs and \$73.0 million in routine operations and maintenance costs. To help support these costs, the RITBA board voted to adopt the following toll rates for the Sakonnet River Bridge and the Newport Pell Bridge, effective July 1, 2013.

Newport Pell Bridge (no change)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Passenger Car 30-Day Unlimited E-ZPass	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
Passenger Cars - Cash	4.00	4.00	4.00	4.00	4.00	4.00
Passenger Cars - Out-of-State E-ZPass	4.00	4.00	4.00	4.00	4.00	4.00
Passenger Cars - RI E-ZPass	0.83	0.83	0.83	0.83	0.83	0.83
Trucks - Cash - Per Axle	2.00	2.00	2.00	2.00	2.00	2.00
Trucks E-Zpass - Per Axle	2.00	2.00	2.00	2.00	2.00	2.00

Sakonnet River Bridge	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Passenger Car 30-Day Unlimited E-ZPass	\$36.14	\$36.14	\$37.05	\$37.97	\$38.92	\$39.90
Passenger Cars - Out-of-State E-ZPass	3.75	3.75	3.84	3.94	4.04	4.14
Passenger Cars - RI E-ZPass	0.75	0.75	0.77	0.79	0.81	0.83
Trucks E-Zpass - Per Axle	1.88	1.88	1.92	1.97	2.02	2.07
Video Surcharge - All Non-E-ZPass, on top of <i>Out-of-State toll</i>	1.50	1.50	1.50	1.50	1.50	1.50

Federal law requires that a tolling agreement, if desired, be in effect by the time the project is complete. RIDOT anticipates the bridge construction will be completed by March 2014.

Recognizing a statewide transportation funding issue, during the 2012 legislative session, the General Assembly established a special legislative commission of nine members to study equitable and reliable funding mechanisms to support Rhode Island transportation infrastructure. To provide sufficient time for the commission to examine alternate funding sources, the General Assembly established a toll rate of ten cents (\$0.10) on the Sakonnet River Bridge to ensure compliance with federal regulation and enable the State to consider increased tolls as a future funding option.

Analyst's Note: The Commission held four meetings from September to December 2013, with the finance chairmen of both the House and Senate as co-chairs, and issued a report on January 15, 2014, of key findings and results as required by the enabling legislation.

CENTRAL MANAGEMENT

The Central Management Program includes Customer Service, Legal Services, the Real Estate section, and the Director's Office. The primary role of the Customer Service section is to provide clear, concise and timely information in response to public inquiries and in support of other offices within RIDOT. The Legal Services office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development,

property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The Director's Office includes the Legislative Liaison, Deputy Director, and other staff responsible for interacting with the public and making policy decisions.

	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Central Management								
Federal Funds	\$5.3	\$11.3	\$8.0	(\$3.3)	-29.0%	\$9.2	(\$2.1)	-18.6%
Other Funds	1.6	1.5	1.7	0.3	31.4%	1.8	0.3	21.6%
Total	\$6.9	\$12.8	\$9.7	(\$3.0)	-23.7%	\$11.0	(\$1.8)	-14.0%

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

Federal funds within Central Management decrease by a net of \$2.1 million in FY2015, reflecting changes in several National Highway Safety Administration grants, including a decrease of \$2.6 million for impaired driving prevention programs, a decrease of \$250,000 for child safety and booster seat incentives, offset by an increase of \$200,000 for racial profiling prevention and \$299,750 for primary seatbelt enforcement.

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all RIDOT projects. The Transportation Development division assigns projects to a manager, who remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Infrastructure - Engineering								
Federal Funds	\$267.1	\$300.5	\$341.1	\$40.7	13.5%	\$342.9	\$42.5	14.1%
Restricted Receipts	1.0	8.0	6.9	(1.1)	-14.3%	12.4	4.3	54.2%
Other Funds	92.2	89.1	69.9	(19.2)	-21.6%	96.2	7.1	7.9%
Total	\$360.3	\$397.6	\$417.9	\$20.3	5.1%	\$451.5	\$53.9	13.6%

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

Federal funding for the Infrastructure Engineering program for FY2015 increases by \$42.5 million from the FY2014 Budget as Enacted, primarily attributable to an increase of \$32.8 million in Federal Highway Administration Funds, and a \$10.3 increase federal funds for the Kingston Track Capacity Platform Improvement rail project and for the Providence Station Improvement Project. Restricted receipts increase by \$4.3 million, reflecting additional revenue expected from Division of Motor Vehicle license and registration surcharges (state match for federal funds), and other funds increase by \$7.1 million due primarily to additional revenue available from the sale of land associated with the relocation of I-195.

Land Sales – I-195

In the spring of 2010, RIDOT and the Rhode Island Economic Development Corporation (RIEDC) came to the General Assembly seeking \$40.0 million in general obligation bonds to allow RIEDC to purchase the land made available by the relocation of the I-Way (I-195). In total, approximately 28.7 acres are

available for development. RIDOT originally allocated \$40.0 million from land sales as part of the federally-required project financing plan for the I-Way relocation. RIDOT noted that the land must be sold to meet project finance obligations and Federal Highway Works Administration (FHWA) requirements, but with the downturn in the economy, sale prices would be significantly lower than initial estimates. Therefore, sale of the land to RIEDC would solve the project-based cash flow problem, reduce or remove the need to act immediately in selling the parcels (without full appraisals or marketing studies) and eliminate FHWA red-tape.

The 2011 General Assembly enacted legislation which authorized RIEDC to borrow up to \$42.0 million towards the purchase of this land, with an additional \$2.0 million for costs of issuance and other capital expenses. Although the bonds were sold in FY2013, project payments will continue through FY2016, based on the Department's projected expenditures. For FY2014 the Governor includes \$6.6 million in proceeds from the sale of land made available from the relocation of I-195. The Budget includes \$19.8 million in expenditures from bond proceeds in FY2015.

Highway Improvement Program

The Highway Improvement Program (HIP) includes those Highway and Intermodal projects, which use federal funds, administered by the Federal Highway Works Administration (FHWA) and Highway transportation infrastructure projects funded by the state (Motor fuel tax and Bonds). The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. The TIP establishes priorities for planning, design, and project implementation. Federal regulations require states and metropolitan areas to undertake an extensive public planning process, resulting in an eligible project list, the TIP, as a prerequisite for receipt of federal highway funds. No highway project can utilize federal funds unless it appears in an approved TIP. The State Planning Council approved a new four-year TIP in July 2012. Priorities emphasized in the TIP include completion of major projects, bridge rehabilitation, preventative maintenance, safety, and congestion relief and environmental quality.

The State spends an average of \$300.0 million in capital funds annually on the TIP including \$45.0 million in federal funding in RIDOT and RIPTA capital projects for transit and \$210.0 million in federal matching funds for a wide range of projects. Beginning in FY2014, the State will use a combination of RICAP funds and revenue from surcharges on license and registrations to supply the 20.0 percent state match for federal funds, which were previously funded by \$40.0 million annually in general obligation bond funds.

The Federal Highway Trust Fund that supports federal highway and transit investments, and is the State's largest funding source of the HIP, is expected to have insufficient cash to meet all of its funding commitments, resulting in steadily accumulating shortfalls as early as Fall 2014. This means that states may not be able to obligate any new federal highway funds in fiscal year 2015. The Governor's proposed budget assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on September 30, 2014. In the event that Congress fails to act by January 1, 2015, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new construction work would be started.

The following table shows the TIP by category, as approved by the State Planning Council, from FY2013 through FY2016.

Project Category	FY2013	FY2014	FY2015	FY2016	Total
Major Projects	\$109.4	\$78.4	\$74.4	\$72.6	\$334.8
Bridge	39.5	41.5	41.8	46.0	168.8
Traffic Safety	30.5	30.5	33.5	30.5	125.0
Pavement Management	26.8	31.0	30.0	30.0	117.8
Highway	39.4	26.8	22.3	11.5	100.0
Interstate	13.5	12.5	15.5	18.0	59.5
Enhancement/Planning/Study	11.3	11.3	11.3	11.3	45.2
CMAQ	10.3	10.3	10.3	10.3	41.2
Administrative	9.1	9.1	9.1	9.1	36.4
Bicycle/Pedestrian/CMAQ	12.4	9.1	5.1	5.1	31.7
Rail - Transit	40.5	44.9	50.8	47.7	183.9
Total	\$342.7	\$305.4	\$304.1	\$292.1	\$1,244.3

\$ in millions.

Analyst's Note: The Highway Improvement Plan shows the funding needed to pay expenditures for the projects on a state fiscal year basis (July 1 through June 30); whereas the TIP lists funding required at the time of a project authorization by federal fiscal year (October 1 through September 30).

Highway Improvement Program - Major Projects

Providence Viaduct: RIDOT successfully secured a \$10.0 million Transportation Discretionary Grant through ARRA, a Transportation Investment Generating Economic Recovery (TIGER) grant. This grant was used to begin the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place Mall. The I-95 Viaduct is deteriorating at a faster rate than originally anticipated and now requires bi-monthly inspections as a condition of remaining open to traffic. The project consists of replacing the current structure, which was built in 1964. Total project cost will be approximately \$177.0 million. Design costs for this project are included in the TIP in 2013, with \$20.0 million programmed per year for construction beginning in FY2013 until project is completed. Phase I (Southbound) of the project is tentatively scheduled to be completed in FY2017, with final completion of the project tentatively scheduled for FY2022.

Pawtucket River Bridge: In 2008, the Department was forced to place a weight and axle limit on the Pawtucket River Bridge (Bridge 550) on Route 95 in Pawtucket. Vehicles were restricted to a maximum of 18 tons (36,000 pounds) and no more than two axles per unit. These restrictions resulted in an estimated \$2.2 million in additional revenue annually through fines levied on violators. The restrictions have also diverted truck traffic to Pawtucket city streets and alternate routes, while increasing the cost of intrastate and interstate shipping for some companies.

In 2009, the TIP was amended to include an estimate of \$55.0 million to reconstruct Bridge 550, but in August of 2010, when bids were opened, costs for the project were reduced by \$18.0 million. Portions of the bridge were re-opened to traffic by Spring 2012. This section of the bridge carries traffic for I-95 North, and allowed RIDOT to lift the 18-ton weight limit for northbound truck traffic. In the Fall of 2012, RIDOT shifted all traffic to the new structures and eliminated the current 18-ton weight restriction for northbound and southbound traffic on I-95. The entire project was completed in late 2013 (FY2014).

GARVEE Funded Projects: Within the Major Projects Category, there are five projects that are funded through a federally-endorsed financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle). In 2003, RIDOT obtained permission to use a GARVEE, which allows the state to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. The debt service on GARVEE bonds is paid through the FHWA allocation; this amount is \$48.4 million in both FY2014 and FY2015. In Article 36 of the FY2004 Budget as Enacted,

the General Assembly passed a Public Corporation Debt Management Joint Resolution authorizing the issuance of bonds to complete the following five (5) major transportation infrastructure projects.

Project	GARVEE Funding	Other Funding	Total Cost
Route 195 Relocation (the I-Way)	\$303.2	\$309.6	\$612.8
Phase II, Route 403	92.2	109.5	201.7
New Sakonnet River Bridge	113.9	129.2	243.1
New Washington Bridge	79.1	-	79.1
Freight Rail Improvement Project (FRIP)	31.7	203.5	235.2
Total	\$620.2	\$751.7	\$1,371.9

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

I-195 Relocation: The Governor recommends \$612.8 million through FY2017 (including \$195.3 million in other highway funds, \$303.2 million in GARVEE bond funding, and \$39.4 million in Land Sale Revenue), to complete the I-195 Relocation project (aka I-Way). The project involves relocating a 1.6 mile stretch of Interstate 195 (I-195) and a 0.8 mile segment of Interstate 95 (I-95). The project has relocated the highway spans to the south of the Hurricane Barrier, and has created more than 20 acres of developable land along the Providence waterfront. This project has entered its final phases, which include landscaping, surface road relocation, demolition of old portions of the highway, construction of a pedestrian bridge and park amenities, and two additional ramps. The Governor includes \$4.6 million in FY2014 and \$18.8 million in FY2015 in Land Sale Revenue, for this project, which is scheduled to be completed in FY2017.

Washington Bridge Repairs: The Governor recommends \$79.1 million in GARVEE bond funding through FY2016 for the construction of a new eastbound span on the Washington Bridge, to replace the existing span, which was constructed in 1928. The westbound span was reconstructed in 1970. Additional construction will occur in conjunction with the I-195 relocation through FY2016.

Completed GARVEE Projects

Sakonnet River Bridge: The State spent \$243.1 million (including \$99.5 million in other highway funds and \$113.9 million in GARVEE bond funding) through FY2013 to replace the existing Sakonnet River Bridge. The Sakonnet River Bridge has had weight restrictions placed on truck and trailer traffic, and has deteriorated rapidly across the center span. The new bridge was constructed adjacent to the existing structure. The old bridge, which was built in 1956, is being demolished. There are no funds recommended beyond FY2014 for this project.

Analyst's Note: The FY2013 Budget as Enacted authorized the transfer of ownership of the Sakonnet River Bridge to the Rhode Island Turnpike and Bridge Authority.

Freight Rail Improvement Project (Third Track): The State spent \$235.2 million, including \$31.7 million in GARVEE bond funding and \$87.6 million in other highway funds, for the Freight Rail Improvement project. This project involved the rehabilitation or construction of over 22 miles of track, between Central Falls and West Davisville, to allow for an expanded role of freight rail in commercial and industrial development in Rhode Island. There is no additional funding for this project beyond FY2013.

Quonset Access Road – Route 403: The State spent \$201.7 million, including \$92.2 million in GARVEE bond funding and \$85.2 million in other highway funds, for the Quonset Access Road project. This project involved constructing a new freeway segment from Route 4 in East Greenwich to the Quonset Industrial Park. The freeway segment is 4.5 miles long and has four lanes. Stage I of the project was funded by Federal Highway allocations and focused on construction in and adjacent to the roadways of Quonset and West Davisville; Phase II, which was funded through GARVEE and Gas bonds, connects Phase I with Route 4 in East Greenwich. This project was completed in FY2013.

INFRASTRUCTURE - MAINTENANCE

The Maintenance program has the fewest component units, but provides routine maintenance for all state roads and bridges. The Maintenance program oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within state right-of-ways, coordinates and schedules paving and crack-sealing, works with local communities to advance joint projects, and maintains all highway lighting and signage.

Infrastructure - Maintenance	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Other Funds	\$39.2	\$48.4	\$48.5	\$0.1	0.2%	\$54.6	\$6.2	12.8%

For FY2015, the Governor recommends an increase of \$6.2 million in other funds, including \$1.5 million for Capital Equipment Replacement, \$2.9 million for a cooperative maintenance facility between RIDOT and RIPTA, and \$1.7 million for winter maintenance and vehicle maintenance costs. The cost for general maintenance activities, such as trash and debris removal, landscaping, sand removal, graffiti removal, and catch basin cleaning, is expected to increase by \$871,590 in FY2015.

Winter Maintenance

The State of Rhode Island spent 15.2 percent of motor fuel tax proceeds, or \$13.7 million, on Winter Maintenance in FY2013. During winters between FY2009 and FY2013 the average cost of maintaining the State's 1,300 miles of roads was \$13.1 million.

DOT - Winter Maintenance Costs - FY2005 - FY2013

	Costs	Hours	Avg. Cost per Hour	5 Yr. Avg.
FY2005	\$18,526,827	486	\$38,121	\$13,585,365
FY2006	8,600,217	233	36,911	12,605,409
FY2007	3,965,452	212	18,705	11,938,499
FY2008	7,871,314	290	27,142	10,672,762
FY2009	14,323,698	354	40,462	10,657,502
FY2010	11,900,000	374	31,818	9,332,136
FY2011	17,876,927	421	42,463	11,187,478
FY2012	7,511,658	162	46,368	11,896,719
FY2013	13,711,876	482	28,448	13,064,832

To date, FY2005 represented the highest winter maintenance cost, at \$18.5 million, with more than 486 hours of state employee and contractor time spent clearing the roads.

As of February 10, 2014, approximately 33.4 inches of snow have fallen. Fifteen storms have been recorded, and 295 hours have been spent treating and clearing the roads. This is in comparison to 392 hours and sixteen storm events during the 2012/2013 winter season. As of February 10, 2014, the State has spent \$12.2 million in winter maintenance costs.

Actual winter maintenance expenditures, as of February 18, 2014, are \$0.9 million less than the \$13.1 million included in the FY2014 Budget as Enacted and \$1.1 million less than the \$13.3 million for Winter Maintenance included in the Governor's FY2014 Revised Budget. For FY2015 the Governor includes \$13.7 million.

There are typically three types of costs involved in the treatment of roads for every storm: state costs, including truck maintenance and labor; vendor costs (plow contractors); and materials costs.

State Cost

Included in this category are the maintenance of equipment, RIDOT staff hours spent performing winter maintenance operations, and overtime. There are approximately 88 state vehicles dedicated to winter maintenance. All vehicles are available for usage; however, 45 of these trucks have outlived their useful life and have required major repairs within the last two years. After each storm, the State inspects the winter maintenance vehicles for damage.

Analyst's Note: In 2005, RIDOT began a cooperative agreement with RIPTA to repair some of its vehicles instead of contracting with private mechanics. RIPTA currently services approximately 40.0 percent of RIDOT vehicles, and RIDOT hopes to have RIPTA begin to service all of the winter maintenance vehicles. The Governor has recommended RICAP funding of \$2.9 million in FY2015, \$3.5 million in FY2015 and \$900,000 in FY2016 to convert the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for RIDOT heavy fleet vehicles and RIPTA buses.

Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state road. While the State has the ability to call up to 300 vendors, a typical storm event will result in a call to approximately 250 vendors. There is no set rate for all vendors: sample rates include \$95/hour for small trucks; \$150/hour for the largest trucks; \$125/hour for front end loaders, with additional fees paid based on accessories, plow side and types of material spreaders. In addition, a 22.0 percent adjustment is applied to these rates in FY2014 to cover fuel costs. Beginning in FY2012 and continuing for FY2014, the Department is offering a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This would allow the vendor to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

Material Cost

Salt and sand costs are dependent on contract and market prices. The current average cost for salt is \$55.98 per ton, including delivery. A national road salt shortage has impacted Rhode Island, as well. The Department will be conserving salt usage until a salt delivery arrives either on March 6 or March 7. The Department has a contract to purchase salt at \$55.98 per ton; however, additional storms will bring expenditures for road salt from \$5.3 million to approximately \$6.8 million this fiscal year. Sand is very inexpensive, by comparison, costing approximately \$13.09 per ton. In FY2012, RIDOT began using a new technology to produce a solution of brine, which is water mixed with salt. This solution is used to pre-treat the roads prior to storms, so long as pavement temperatures stay above 25 degrees Fahrenheit. The brine solution costs \$0.20 per gallon, and when roads are pre-treated with this brine solution, it results in a more efficient use of salt.

MANAGEMENT AND BUDGET

The Management and Budget program is made up of three divisions: Administrative Services, Financial Management, and Transportation Support Division. The Administrative Services division provides contract administration, education, minority advancement, conformance review for federal laws and regulations, and programming, administration, and coordination with the University of Rhode Island's Transportation Center. The Financial Management division oversees the Department's budget, including federal, state, capital and other funds. The Fleet Operations division maintains the Department's communications systems and vehicles in the RIDOT fleet, from passenger vehicles to heavy equipment.

Management and Budget	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted		FY2015 Governor	Change from Enacted	
Other Funds	\$1.7	\$1.5	\$2.2	\$0.6	39.8%	\$2.2	\$0.7	44.7%

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The increase of \$701,091 is due primarily to the shift of employees into this division to align personnel with federal employee classifications for recovery of indirect costs.

SELECTED CAPITAL PROJECTS

Capital projects are an integral part of the RIDOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the RIDOT capital program.

Maintenance Facility Improvements: The Governor recommends Rhode Island Capital Plan (RICAP) funding of \$790,254 in FY2014 and \$400,000 in FY2015 to repair and renovate existing state highway maintenance facilities. Funds will be used for roof replacements, plumbing, boiler repairs, and pavement projects.

Portsmouth Facility: The Governor's budget includes \$2.1 million in general obligation bond funds and \$3.5 million in RICAP funding from FY2014 through FY2016 to replace the Portsmouth facility. The existing building is in poor condition, and there is insufficient space on the lot to store either salt supplies or house the vehicles indoors.

Salt Storage Facilities: The Governor recommends RICAP funding of \$1.7 million in FY2014 and \$1.5 million in FY2015 to construct salt storage facilities across the state where salt is currently stored uncovered. Projects are pending for demolition of the old facilities and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

Rhode Island Public Transit Authority

Revenues by Source	Actual FY2013	FY2014 Revised	FY2015 Board	Change from	
				Actual	Revised
Motor Fuel Tax	\$40.8	\$40.7	\$40.7	\$0.0	0.0%
Passenger Revenue	24.4	24.0	24.2	0.2	0.8%
Special Revenue	0.9	0.9	0.9	0.0	0.7%
Other Revenue	12.6	11.5	11.6	0.0	0.1%
Federal Funds	21.3	21.2	22.1	0.9	4.2%
DHS - RIDE	\$0.8	\$0.8	\$0.8	-	0.0%
Total	\$100.7	\$99.1	\$100.2	\$1.1	1.1%
Expenditures by Category					
Salaries, Wages and Benefits	\$70.3	\$68.4	\$71.3	\$3.0	4.3%
Contract Services	10.4	9.8	9.6	(0.2)	-1.7%
Operating Expenses	18.2	19.7	18.9	(0.8)	-4.3%
Capital Match	-	0.5	0.3	(0.2)	-44.9%
Revolving Loan Fund	-	0.4	0.7	0.3	94.0%
Self Insurance Reserve	-	0.3	0.3	-	0.0%
Total	\$98.9	\$99.0	\$101.1	\$2.1	-35.6%
Surplus/(Deficit)	(\$1.8)	\$0.1	(\$0.9)	(\$1.0)	-0.1%
FTE Levels	820.0	826.0	826.0	-	0.0%

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhance air quality

MAJOR ISSUES AND TRENDS FOR FY2015

The most significant fiscal challenges facing RIPTA revolve around the need to align its expenditures with a stable revenue stream, as gasoline tax revenues decline and federal funds remain flat. The FY2015 Budget approved by the Board reflects a deficit of \$854,770; however, only the pay-go portion of Other Post-Employment Benefits (OPEB) is included. The unfunded OPEB liability as of June 30, 2013, is \$37.4 million.

The Governor includes \$1.7 million in FY2014 and \$1.8 million in FY2015 to assist RIPTA by transferring debt service payments to general revenue in the Department of Administration. Additionally, the Department of Administration assumed RIPTA's debt service of \$1.6 million in FY2013. The Governor proposes that RIPTA should be responsible for its own debt service payments after FY2015.

Beyond FY2014, RIPTA can expect its financial situation to worsen as gas tax revenue, RIPTA's main source of income, declines due to vehicles becoming more fuel efficient and as consumption of fuel decreases due to an increase in price. Currently, 41.1 percent of RIPTA's revenue (\$40.7 million in FY2014, total revenue of \$99.1 million) comes from gas tax proceeds. This is expected to decrease to 40.6 percent in FY2015 (\$40.7 million, total revenue of \$100.2 million). RIPTA receives 29.5 percent of the total gas tax collected (9.75 cents of the 33.0 cent gas tax charge), plus an additional penny allocated to the Department of Human Services and transferred back to RIPTA for senior and Americans with Disability Act (ADA) passengers using the Ride program. The value of a penny of gas tax has declined by 13.9 percent since FY2005.

Year	Per Penny Yield
2005	\$4,834,986
2006	4,805,619
2007	4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014*	4,168,174
2015*	4,162,981

*November 2013 estimate

Comprehensive Operational Analysis (COA): In June 2013, the Authority completed a year-long Comprehensive Operational Analysis (COA) to take an in-depth look at RIPTA services to identify what RIPTA does well, as well as potential opportunities to enhance the transit network. The goal of the analysis was to make service easier to use and understand; make service more convenient, faster and more direct; and to better match service to demand. This resulted in changes to approximately 85.0 percent of fixed bus routes (47 out of 55 routes). These changes were designed to work within RIPTA's existing budget and to direct transit resources where they would be most effective. Changes began in the Fall of 2013 and will be implemented over a 2-year period.

One of the questions raised during RIPTA's COA process was whether the use of a single downtown hub is still the most appropriate means for RIPTA to serve downtown Providence, or whether RIPTA should shift to a multi-hub approach that could better serve a geographically expanding downtown. A multi-hub approach could also disperse passengers and buses away from Kennedy Plaza to both improve transit service and assist with Kennedy Plaza/Burnside Park renewal efforts. RIPTA has awarded a \$120,000 contract to Nelson Nygaard to define multiple hub alternatives, develop operating plans, and develop conceptual hub layouts. This scope of work project should be completed in March 2014.

Mass Transit Hub Infrastructure: The Governor recommends a \$40.0 million general obligation bond authorization be placed on the November 2014 ballot, which will be used to fund major renovations and enhancements to mass transit hub infrastructure throughout the State. Among other goals, the Governor seeks to reduce the volume of traffic at Kennedy Plaza through these projects. Preliminary plans indicate funding would provide for multiple alternative public transportation hubs, including Kennedy Plaza, the Providence Amtrak train station and near the Garrahy Courthouse, which is located near land being redeveloped following the relocation of I-195. The alternative transportation hubs were recommendations included in the COA.

Analyst's Note: Project scope and both capital and operating costs have not yet been determined. This project was not requested in the budget requests submitted by either RIDOT or RIPTA.

Fuel Costs: Diesel fuel costs have fluctuated dramatically over the past five years, and these fluctuations have a significant impact on the RIPTA operating expenses. The FY2015 budget is based on a fuel price of \$3.30 per gallon, \$0.10 more than the FY2014 Budget. There is limited storage for diesel fuel in Rhode Island, and lock-in prices with fuel supply companies typically reflect prices \$0.10 to \$0.15 per gallon above the market price at

Year	Average Market Price	Average Lock-in Price	Total RIPTA Spending ¹
2010	\$2.37	\$2.36	\$6.1
2011	2.96	2.98	7.5
2012	3.35	3.36	8.1
2013	3.35	3.10	7.4
2014 Projection	3.23	3.22	7.7
2015 Projection	3.30	3.21	7.4
5-year average	\$3.05	\$3.00	\$7.4

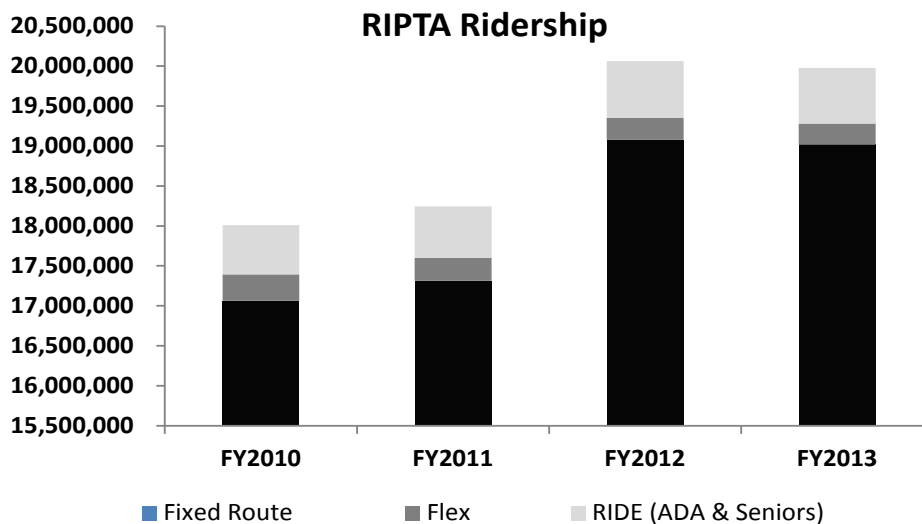
Source: RIPTA

¹ \$ in millions.

the time of the lock-in. These factors combine to make fuel costs a difficult variable to forecast in the budget process. RIPTA traditionally uses 2.5 million gallons of fuel each year. RIPTA locked-in a fuel price of \$3.23 from October 2013 through March 2015. An additional lock-in of \$3.16 from April 1, 2015, to October 1, 2015, combined with the use of hybrid buses and a newer fleet should provide some savings for the Authority.

Ridership: RIPTA offers three types of transit service: fixed route service consists primarily of regular bus service on established routes; Flex service provides van transportation within a limited geographic area; and the RId program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2013, RIPTA's total ridership was 20.0 million passengers, a net decrease of 0.4 percent from FY2012. The following table shows ridership, by category, for RIPTA for FY2010 through FY2013.



Analyst's Note: Ridership increased by 10.2 percent between FY2011 and FY2012. RIPTA attributes this increase to a spike in gasoline prices, resulting in more people using public transportation as opposed to personal vehicles. The U.S. Energy Information Administration reports that New England gas prices rose from an average of \$2.86 per gallon in 2010 to \$3.79 per gallon in 2012, an increase of 32.5 percent.

Human services transportation categories (RId and Flex) have grown 13.0 percent since FY2010, a trend which is also visible in the use of wheelchair vans and private ambulance companies through the Department of Human Services (DHS). In 2010, RIPTA assisted DHS in a study that identified \$61.8 million in annual expenditures on human services transportation in Rhode Island and found that providers of services to the developmentally disabled were using RId services for trips other than those for non-emergency medical transportation. The budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) also includes funding for transportation to and from community activities in the daily rates it pays providers. RIPTA reports that DD providers are choosing instead to register clients under the Americans with Disabilities Act (ADA) and transfer the cost to RId.

STUDY COMMISSIONS

Over the course of the past several years, the mission and focus of RIPTA have been under review, both by the General Assembly and by staff at the agency, municipal, and State level. The FY2013 Budget as Enacted created the Office of Management and Budget (OMB) within the Department of Administration.

OMB is required to conduct a review of all state transportation-related agencies, including a review of bridge, vehicle and winter maintenance efficiencies and effectiveness. However, a report issued by OMB in December 2012 addressed RIPTA only as part of the larger context of the state transportation organization, due to an ongoing assessment by a 5-member resource team, which began in August 2012 by order of the Governor, to review all aspects of RIPTA's operations and finances, based on findings by the Rhode Island Bureau of Audits. Currently, one member of the Governor's resource team continues to work with RIPTA in an advisory capacity.

In 2011, the Senate Commission on Sustainable Transportation reported that, based on information presented by RIPTA, an additional \$44.0 million would be required in the next five years to attract new riders, meet demand, and achieve the vision outlined in RIPTA's strategic plan. This Commission continues to meet, with a focus on finding a sustainable funding source for RIPTA.

In 2006, the Special Legislative Commission to Study Transit Service in the State of Rhode Island (Commission) was formed by the General Assembly. The Commission concluded that the current transit system is not going to be enough to meet future needs due to rising energy costs, traffic congestion, shifts in demographic trends, renewal of urban design, extension of commuter rail service in the state, among other factors.

In 2008, the Governor established the Blue Ribbon Panel on Transportation Funding (BRP), a 12-member panel developed to investigate the funding needs of transportation and transit in Rhode Island. The BRP issued its final report in December 2008, concluding that providing alternate modes of transportation was a critical component of the State's future transportation needs.

SELECTED CAPITAL PROJECTS

The Governor recommends \$65.8 million in capital expenditures, of which \$732,790 is Rhode Island Capital Plan (RICAP) funded and \$53.3 million is funded by the Federal Transit Administration and other federal funds, between FY2014 and FY2018, including the following:

- **Bus Purchases:** RIPTA has a fixed route fleet of 236 vehicles, including 204 fixed route buses, 15 fixed route trolleys, and 17 30-foot flex zone buses. During FY2015, RIPTA will retire 7 buses that were put into service in 2001 and purchase 5 new clean diesel buses; RIPTA will also retire five trolleys, four in service since 2001 and one in service since 2004, and purchase 2 new trolleys. The retired vehicles have outlived their useful lifespan. All new buses will run on clean diesel fuel.
- **Paratransit Vehicles:** RIPTA maintains a fleet of 125 vehicles for the paratransit program, also known as RIdE. FTA guidelines specify that paratransit vehicles should not be used for more than an average life of five years. RIPTA will purchase 15 vehicles in FY2015, replacing seven buses manufactured in 2006 and eight buses manufactured in 2008.
- **Land and Buildings Enhancements:** This project renovates existing Park and Ride lots and construction of new Park and Ride lots. Improvements may include repaving, lighting, fencing, security enhancements, and other amenities. The Governor recommends \$3.0 million from all funds, including \$223,529 in RICAP funding, in FY2015 for this project.



SPECIAL REPORTS

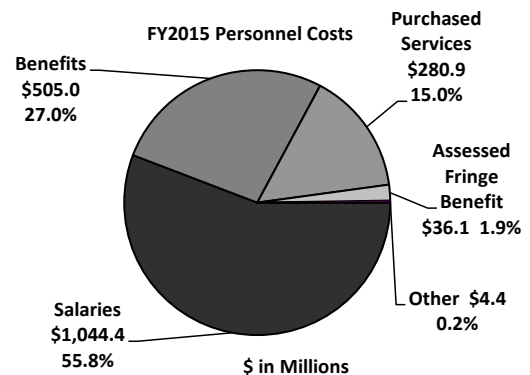
Personnel

The Governor's FY2015 Budget includes a total of \$1,870.8 million for personnel expenditures, an increase of \$46.7 million compared to the FY2014 Budget as Enacted, and \$18.5 million less than the Governor's FY2014 Supplemental Budget recommendation. Salaries and benefits total \$1,549.4 million and comprise 82.8 percent of FY2015 personnel expenditures (52.5 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2014 Supplemental Budget includes \$1,889.3 million for personnel expenditures, an increase of \$65.2 million compared to the FY2014 Budget as Enacted. Salaries and benefits total \$1,512.0 million and comprise 80.0 percent of FY2014 personnel expenditures (52.3 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2015 total \$1,044.4 million, comprising 55.8 percent of total personnel costs, an increase of \$23.0 million (2.3 percent) from the FY2014 Budget as Enacted, reflecting an increase in the number of authorized FTE positions and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$505.0 million and comprise 27.0 percent of total personnel costs. Benefits increase \$15.1 million (3.1 percent) from the FY2014 Budget as Enacted, primarily due to medical costs inflation. Purchased services costs are \$280.9 million (15.0 percent) of the total personnel costs. Purchased services increase \$4.0 million (1.4 percent) from the FY2014 Budget as Enacted.



Expenses by Description	FY2012	% of	FY2013	% of	FY2014	% of	FY2014	% of	FY2015	% of
	Actual	Total	Actual	Total	Enacted	Total	Governor	Total	Governor	Total
Salaries	\$996.0	58.8%	\$993.5	57.3%	\$1,021.4	56.0%	\$1,027.9	54.4%	\$1,044.4	55.8%
Benefits	448.2	26.4%	448.4	25.8%	489.9	26.9%	484.1	25.6%	505.0	27.0%
Purchased Services	215.8	12.7%	257.6	14.8%	276.9	15.2%	338.1	17.9%	280.9	15.0%
Assessed Fringe Benefits	30.8	1.8%	30.9	1.8%	31.6	1.7%	34.8	1.8%	36.1	1.9%
Other	4.2	0.2%	4.5	0.3%	4.3	0.2%	4.4	0.2%	4.4	0.2%
Total	\$1,695.0	100.0%	\$1,734.9	100.0%	\$1,824.1	100.0%	\$1,889.3	100.0%	\$1,870.8	100.0%

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

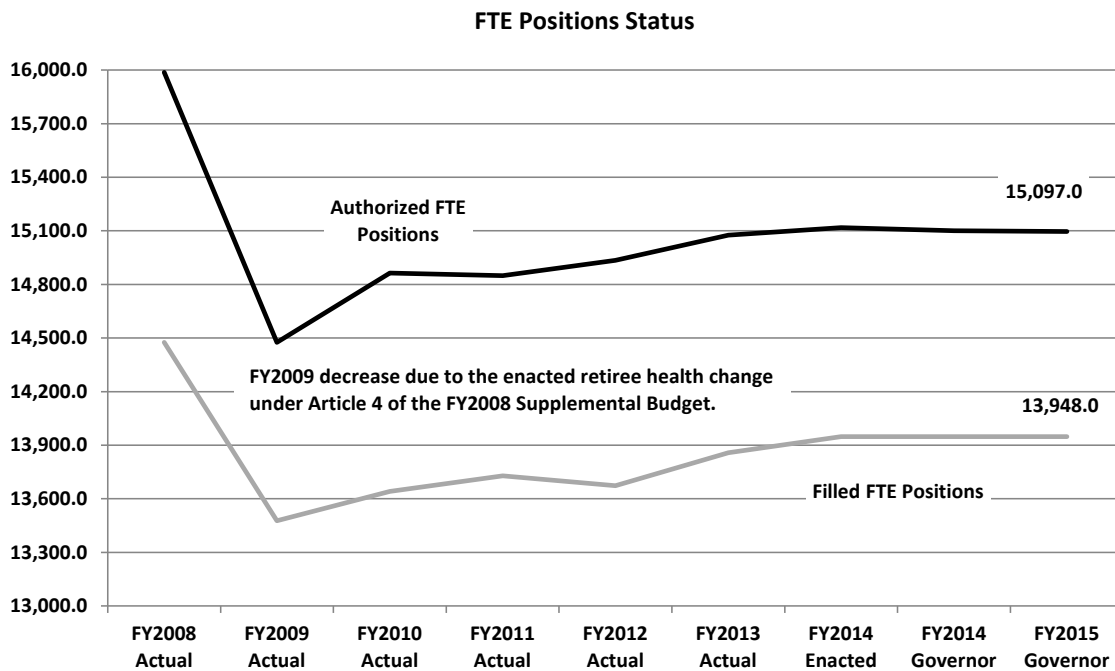
Expenses by Function	FY2012	FY2013	FY2014 Enacted	FY2014 Governor	FY2015 Governor	% of Pers. Budget	FY2015	
							General Revenue	FY2015 General Revenue %
General Government	\$230.7	\$249.6	\$270.2	\$309.9	\$273.4	14.6%	\$151.7	55.5%
Human Services	393.4	412.8	437.1	462.2	470.3	25.1%	211.6	45.0%
Education	547.2	560.9	568.0	567.9	573.3	30.6%	145.2	25.3%
Natural Resource	53.8	54.2	63.3	57.9	58.1	3.1%	30.3	52.2%
Public Safety	365.0	362.5	380.6	381.5	383.4	20.6%	348.9	91.0%
Transportation	104.9	94.9	104.9	109.9	112.3	6.0%	-	0.0%
Total	\$1,695.0	\$1,734.9	\$1,824.1	\$1,889.3	\$1,870.8	100.0%	\$887.7	47.5%

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

FTE POSITIONS

The FY2014 Budget as Enacted authorized 15,118.3 FTE positions. At the start of the fiscal year, 13,828.0 FTE positions (91.5 percent of the original enacted authorized amount) were filled, leaving 1,290.3 FTE positions vacant. Over the last six fiscal years, the state vacancy rate has averaged 8.1

percent, or 1,221.5 FTE positions. Since the start of the fiscal year, the State has a net increase of 120.0 filled FTE positions. As of January 25, 2014, 13,948.0 FTE positions (92.3 percent of the authorized amount) were filled, leaving 1,170.3 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2014	FY2014	Change to Enacted	FY2015	% of Total	FY15/FY14	FY15/FY14
	Enacted	Governor		Governor		Governor Change	Enacted Change
General Government	2,276.7	2,294.7	18.0	2,305.7	15.3%	11.0	29.0
Human Services	3,747.8	3,743.8	(4.0)	3,744.0	24.8%	0.2	(3.8)
Education	3,883.4	3,997.3	113.9	4,001.2	26.5%	3.9	117.8
Public Safety	3,233.6	3,222.6	(11.0)	3,222.6	21.3%	-	(11.0)
Natural Resources	428.0	428.0	-	428.0	2.8%	-	-
Transportation	772.6	752.6	(20.0)	752.6	5.0%	-	(20.0)
Subtotal	14,342.1	14,439.0	96.9	14,454.1	95.7%	15.1	112.0
Sponsored Research	776.2	661.3	(114.9)	642.9	4.3%	(18.4)	(133.3)
Total FTE Positions	15,118.3	15,100.3	(18.0)	15,097.0	100.0%	(3.3)	(21.3)

FY2014: The Governor's FY2014 Supplemental Budget proposes 15,100.3 FTE positions, a net decrease of 18.0 FTE positions from the FY2014 Budget as Enacted. Major FTE changes include:

General Government increases by 18.0 FTE positions. The Governor adds 18.0 FTE positions in the Department of Labor and Training, reflecting an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance Program, an increase of 7.0 FTE positions for the Unemployment Insurance Call Center, an increase of 3.0 FTE positions to administer the Back to Work RI program, and increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.

The Governor includes 10.0 FTE positions within the Department of Administration to support operations for the Health Information Exchange (HealthSource RI), by using existing vacancies within the Department to add these positions.

Human Services decreases 4.0 FTE positions. The changes include a decrease of 3.0 FTE positions in the Department of Health reflecting the elimination of four vacant positions and a decrease of 1.0 Administrator I (MHRH) FTE position reflecting a technical correction to show that the position is actually located in the Department of Human Services.

Education increases 113.9 FTE positions. The Governor shifts 113.9 FTEs positions from federal-sponsored research to non-sponsored positions at URI and CCRI, restructuring higher education personnel.

Public Safety decreases 11.0 FTE positions. The Governor eliminates a 1.0 FTE General Counsel position and 1.0 Director of the Rhode Island Municipal Police Training Academy, which were unfunded in the FY2014 Budget as Enacted. The Governor also eliminates 9.0 vacant FTE positions in the Division of State Police.

Transportation decreases 20.0 FTE positions due to long-term vacancies.

FY2015: The Governor's FY2015 Budget proposes 15,097.0 FTE positions. The major changes include:

General Government increases by 29.0 FTE positions, including the following:

- An increase of 3.0 FTE positions within the Department of Administration, to support the creation of the Office of Diversity, Equity, and Opportunity within a new Executive Division. This merges existing programs, functions, and personnel of the Office of Outreach and Diversity, the State Equal Opportunity Office, and the Minority and Disadvantaged Business Enterprise.
- An increase of 18.0 FTE positions in the Department of Labor and Training; reflecting an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance Program; an increase of 7.0 FTE positions for the Unemployment Insurance Call Center; an increase of 3.0 FTE positions to administer the Back to Work RI program; and, increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.
- An increase of 7.0 FTE positions in the Department of Revenue, reflecting 7.0 FTE Revenue Officer I positions in the Division of Taxation to increase enforcement activities consistent with proposed Article 12 of the Governor's FY2015 Budget. Each of these positions is anticipated to generate approximately \$900,000 per year in collections from past due personal income taxes, business taxes, sales and excise taxes, and fines and penalties.
- An increase of 1.0 FTE position within the Public Utilities Commission, reflecting the addition of a Programming Services Officer in the Consumer Section to address the backlog in consumer billing issues, service quality concerns, and utility service termination proceedings.

Human Services decreases by 3.8 FTE positions. This reflects the following:

- A decrease of 2.8 FTE positions in the Department of Health due to the elimination of 3.0 vacant FTE positions offset by a 0.2 FTE position increase reflecting a minor personnel adjustment.
- A decrease of 1.0 FTE position in Behavioral Healthcare, Developmental Disabilities, and Hospitals, reflecting a technical correction to show that a 1.0 Administrator I (MHRH) FTE position is actually located in the Department of Human Services, rather than BHDDH.

Education increases by 117.8 FTE positions. This reflects the following:

- An increase of 132.3 FTE positions in Higher Education; reflecting the shift of 132.3 FTE positions from federal-sponsored research to non-sponsored positions at URI (91.0 FTE positions) and CCRI (41.3 FTE positions), restructuring higher education personnel. Funding will shift from federal or private funds to either general revenue or university and college funds when filled. These positions are currently vacant.

- A decrease of 16.5 FTE positions in the Department of Elementary and Secondary Education due to the end of the federal Race to the Top grant award.
- An increase of 2.0 FTE positions in the Higher Education Assistance Authority for the Way-to-Go web portal program.

Public Safety decreases by 11.0 FTE positions, including 1.0 FTE General Counsel position and 1.0 Director of the Rhode Island Municipal Police Training Academy, which were unfunded in the enacted budget. The Governor also eliminates 9.0 vacant FTE positions in the Division of State Police.

Transportation decreases 20.0 FTE positions due to long-term vacancies.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Governor instructed the Director of the Department of Administration to undertake a comprehensive analysis of the State's personnel system before the close of FY2013, to recommend alternatives to what the Governor believes is a cumbersome and outdated system, and to provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits. The FY2013 Budget as Enacted included \$250,000 to commence the analysis. The Department of Administration awarded a contract to The Segal Group to conduct this review. On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

- The structure, organization, and staffing of the State's Human Resources division is not sufficient to support the State's human capital needs.
- The current recruitment and selection processes are highly paper-based, with outdated and cumbersome procedures that often delay the process and impede hiring managers' ability to identify and employ qualified candidates on a timely basis.
- The job classification structure and job descriptions do not reflect the skills and qualifications required to deliver 21st century government services.
- The compensation structures and pay delivery policies are non-competitive, highly rigid and insufficient to attract and retain skilled employees.

To begin implementing the findings of this report, the Governor recommends \$500,000 in the FY2014 Revised Budget to fund an Employee Classification Study and an Employee Compensation Study. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The goal of the Employee Compensation Study is to review the State's current compensation system and to develop appropriate method to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

A Request for Proposals to begin the study was issued in October 2013 and a bid opening was held on December 13, 2013. The Governor does not recommend funding in the FY2015 Budget because the projected costs for the study will not be fully known until bids are reviewed.

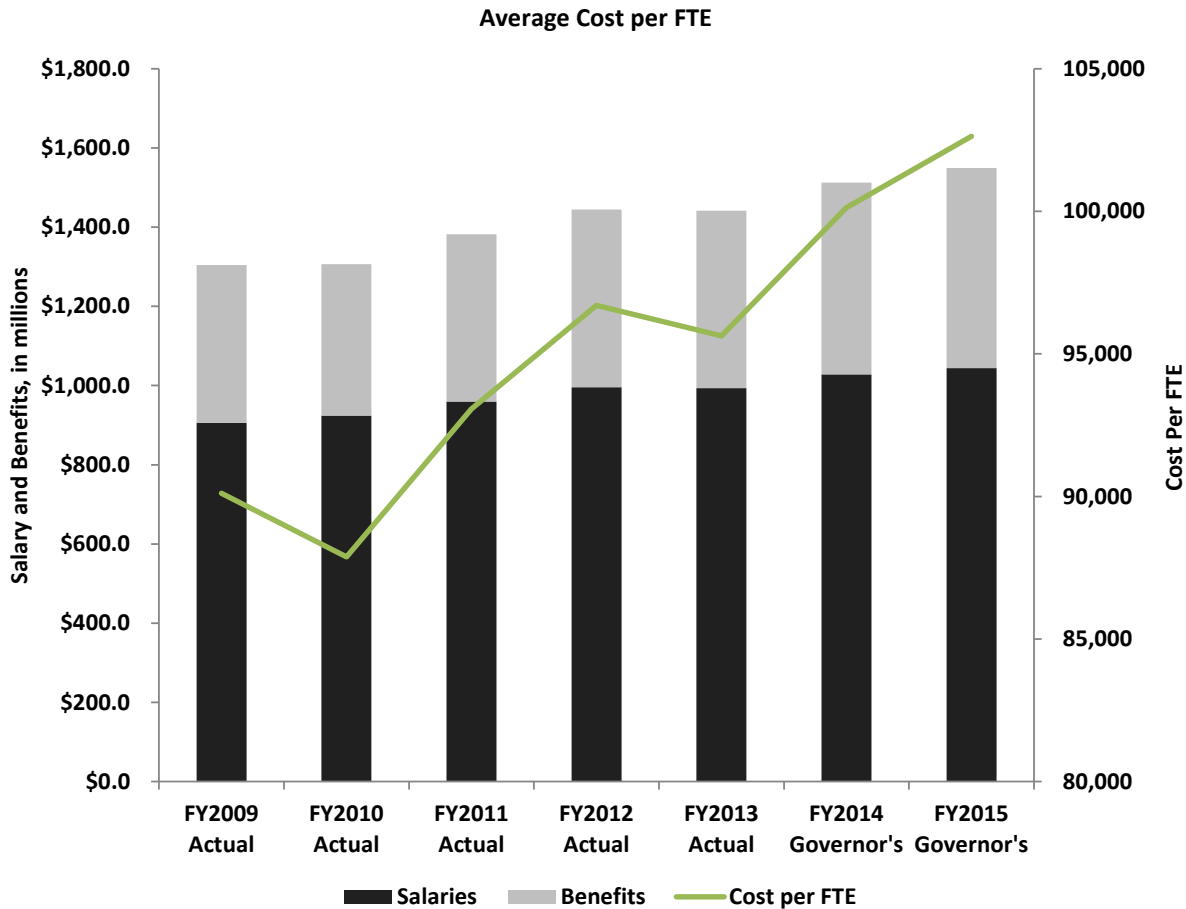
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) POSITIONS

As of February 8, 2014, there are 2.0 FTE positions funded through ARRA; one in the Department of Health and one in the Public Utilities Commission. The number of ARRA supported FTE positions peaked at 161.0 within nine State agencies on February 14, 2011. As the federal ARRA funding and funded projects terminates, these FTE positions have and will continue to decline. According to the Budget Office, the position ended at the Public Utilities Commission on the last payroll period in

December 2013, but because of a paperwork problem it was not updated in the system. That should be fixed soon. In addition, State Human Resources Office is processing the paperwork from the Department of Health, to move the ARRA position to the actual payroll account where the disbursement is made.

AVERAGE COST PER FTE

The projected average cost per FTE position is \$102,631 in FY2015, reflecting an increase of 2.5 percent over the FY2014 Governor's Revised Budget, and an increase of 13.9 percent since FY2009. The cost per FTE has grown by an average of 2.2 percent each year largely from benefit cost increases. The cost per FTE position decreased slightly in FY2010 as a result of enacted pension reforms and overall statewide reductions to personnel expenditures.



PURCHASED SERVICES

Purchased services expenditures provide for contractors (non-state employees) who deliver special expertise to the State or where the work is temporary or project-specific. There are 10 categories of purchased services: 4 of the 10 categories, Design and Engineering, Information Technology, Management and Consultant Services, and Training and Educational Services, comprise 77.6 percent of the total FY2015 purchased service expenditure recommendation in the Governor's FY2015 budget.

Purchased Services	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015	FY15 to
				Enacted	Governor	Governor	FY14
							Change
Design & Engineering	\$39.3	\$47.1	\$43.5	\$47.2	\$44.5	\$44.4	-\$2.8
Management & Consultant Services	50.9	50.5	65.0	77.8	84.0	73.8	-4.0
Training & Educational Services	38.3	49.8	56.8	53.7	54.7	45.6	-8.1
Information Technology	14.0	12.3	38.0	33.3	78.0	54.1	20.8
Medical Services	13.4	12.8	12.6	12.9	13.9	13.8	0.9
Other Contracts	8.9	8.4	8.6	13.3	26.2	15.5	2.2
Clerical & Temporary Services	7.3	7.4	6.3	8.0	7.0	6.5	-1.5
Buildings & Grounds Maintenance	5.4	5.0	5.8	6.0	6.2	5.8	-0.2
Legal Services	6.4	7.1	6.0	6.8	6.2	4.7	-2.1
University & College Services	10.1	15.4	15.0	17.9	17.4	16.7	-1.2
Total	\$194.0	\$215.8	\$257.6	\$276.9	\$338.1	\$280.9	\$4.0

\$ in millions

For FY2015 Budget, the Governor recommends \$280.9 million for purchased service expenses, of which \$53.9 million (19.2 percent) is general revenue. The FY2015 Budget recommendation reflects an increase of \$4.0 million over the FY2014 Budget as Enacted. Approximately \$225.3 million (80.2 percent) of the appropriation will be appropriated to 7 state departments.

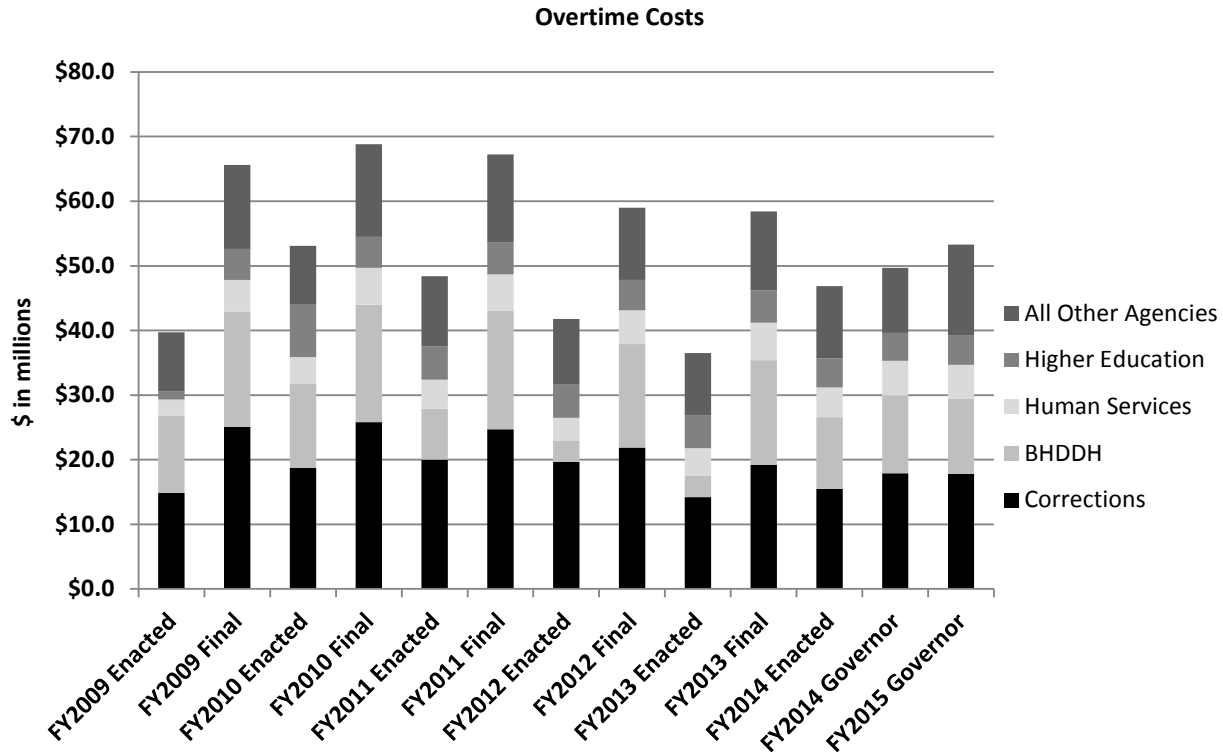
Department	Purchased Services			
	FY2014 Enacted	FY2014 Governor	FY2015 Governor	FY2015 General Revenue
Office Health and Human Services	49.8	64.2	67.1	15.5
Elementary & Secondary Education	46.9	48.7	39.8	4.9
Transportation	37.0	38.1	39.2	-
Administration	31.8	58.0	25.7	4.3
Human Services	17.4	23.7	22.5	7.6
Higher Education	21.6	20.8	20.4	3.1
Corrections	11.0	11.1	10.6	10.2
Health	9.2	8.5	7.9	0.8
Environmental Management	13.1	8.1	7.1	0.2
All Other Agencies	39.1	56.9	40.6	7.3
Total	\$276.9	\$338.1	\$280.9	\$53.9

\$ in millions

Purchased service expenditures in the Office of Health and Human Services increase \$18.0 million (\$15.4 million in federal funds and by \$2.6 million in general revenue funds) related to the Unified Health Infrastructure Project (UHIP).

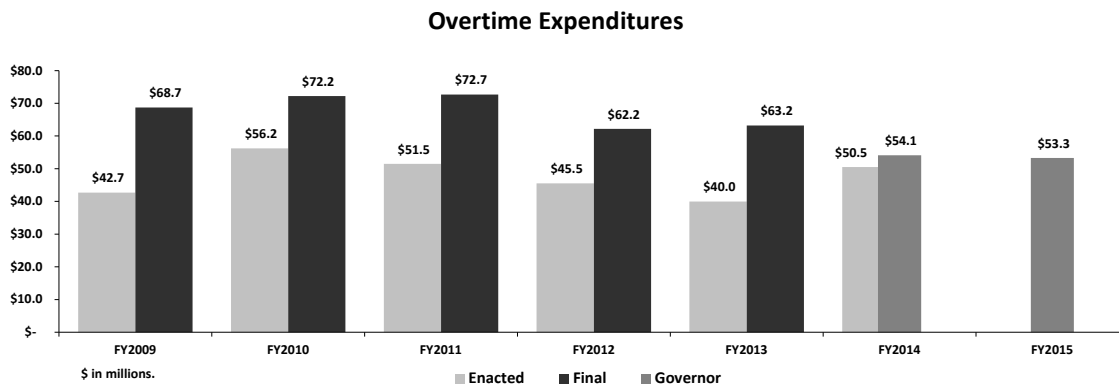
OVERTIME

Overtime costs in FY2015 are projected to total \$53.3 million, \$2.8 million more than the FY2014 Budget as Enacted and \$828,227 less than proposed in the Governor's FY2014 Supplemental Budget. Overtime expenses are projected to be \$9.9 million less than expended in FY2013. General revenue supports 66.8 percent of overtime expenses. 33.4 percent of the total FY2015 projected overtime expenditures for the State occur with the Department of Corrections. The Department projects a 14.8 percent increase in overtime expenses in FY2015.



State agencies regularly overspend their overtime appropriation. Over the last three fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$20.6 million (45.1 percent).

The Department of Corrections and Behavioral Healthcare, Developmental Disabilities, and Hospitals generally exceed their overtime appropriations by the largest amounts. Overtime costs often result from staffing shortages, due either to high turnover rates or insufficient FTE authorizations in the enacted budget. Where there are state or federally mandated minimum staffing levels (such as at Eleanor Slater Hospital in BHDDH), or caseload-driven personnel requirements (such as inmate population levels at the Department of Corrections) agencies must use overtime or contract personnel to provide adequate coverage. The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:



STATE EMPLOYEE HEALTH INSURANCE RATES

Rhode Island offers three forms of health benefit coverage to state employees: medical coverage (through UnitedHealthcare), dental coverage (through Delta Dental), and vision coverage (through Vision Service Plan). The plan rates for UnitedHealthcare and Vision Services are determined each fiscal year and are

effective every July 1. The plan rates for Delta Dental are determined on a calendar year basis and are effective every January 1. The FY2015 projected rates for all health insurance are 2.1 percent higher than the rates for FY2014 and 162.0 percent higher than the rates set in FY2001.

Health Insurance Rates Annual Employer Cost per Employee

	FY2001	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015	% Change
Individual	Actual*	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	FY15/FY14
Medical	\$2,772	\$5,427	\$5,970	\$6,020	\$6,558	\$6,559	\$7,062	\$7,381	\$7,246	\$7,525	2.0%
Dental	241	327	327	360	349	350	376	380	382	405	6.6%
Vision	41	76	82	83	83	84	63	67	59	60	-10.4%
Total	\$3,054	\$5,831	\$6,379	\$6,463	\$6,991	\$6,993	\$7,501	\$7,828	\$7,687	\$7,990	2.1%
Family											
Medical	\$7,772	\$15,215	\$16,736	\$16,877	\$18,386	\$18,386	\$19,799	\$20,690	\$20,312	\$21,094	2.0%
Dental	674	917	917	1,008	978	978	1,052	1,061	1,068	1,132	6.7%
Vision	88	162	173	177	177	177	173	183	161	165	-9.8%
Total	\$8,533	\$16,293	\$17,827	\$18,062	\$19,540	\$19,541	\$21,024	\$21,934	\$21,541	\$22,391	2.1%

Source: RI Office of Employee Benefits & State Budget Office

* Medical included BCBSRI & United Healthcare

State Employee Health Plan Costs

The FY2015 proposed total employer expenditure for state employee health plan costs is \$195.0 million, of which \$98.8 million is general revenue. This is \$10.0 million higher than the FY2014 Budget as Enacted, and \$17.3 million more than the Governor's proposed FY2014 Supplemental Budget.

State Employee Health Plan Total Costs

Health Plan	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014	FY2015	FY15 to FY14	% Change
	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	FY15/FY14
Medical	\$142.5	\$126.7	\$148.6	\$145.9	\$155.2	\$173.1	\$165.6	\$182.1	\$9.0	5.2%
Dental	9.1	9.0	9.2	9.2	9.3	10.2	10.6	11.3	1.1	10.8%
Vision	1.6	1.6	1.6	1.5	1.4	1.7	1.5	1.6	(0.1)	-5.9%
Total	\$153.2	\$137.3	\$159.4	\$156.6	\$165.9	\$185.0	\$177.7	\$195.0	\$10.0	5.4%

\$ in millions

Health Cost Trends

The Governor's budget includes \$7.0 million (\$3.5 million general revenue) in state employee health benefit savings, reflecting a new contract. Employee portions of the savings are reflected in a one pay day "holiday" for medical benefit charges. This year's savings are primarily due to trends in medical costs; next year's savings are a combination of slower growth based on this year's trend and anticipated savings from the new contract with United Healthcare.

State Employee Health Co-shares

State employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range.

Family Plan Co-share – Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$25,000	13.5%	Below \$46,350	14.0%	Below \$47,741	15.0%	\$124.28
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	47,741 - 95,481	20.0%	165.70
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	207.13
45,000 - 74,999	20.0%					
75,000 - 89,999	20.0%					
Over \$90,000	25.0%					

Individual Plan – Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$45,000	15.0%	Below \$46,350	17.5%	Below \$95,481	20.0%	\$59.13
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	73.91
75,000 - 89,999	20.0%	Over \$92,700	25.0%			
Over \$90,000	25.0%					

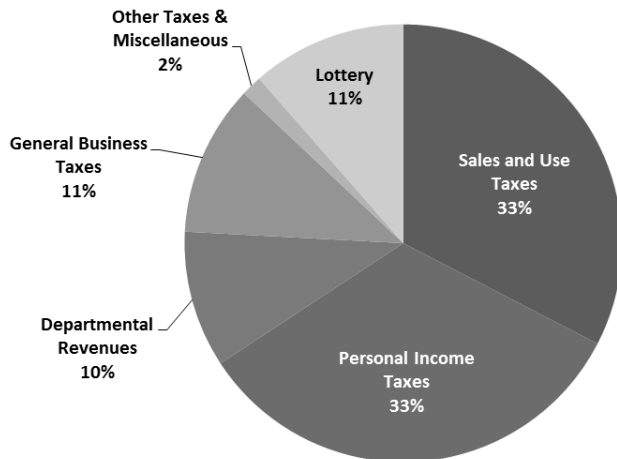
Revenue

The Governor's FY2015 Budget recommendation totals \$3,494.5 million in general revenue, 2.9 percent more than the FY2014 enacted level.

The Governor's proposal increases general revenue collections by an estimated \$156.0 million (4.7 percent) above the November 2013 revenue estimate for FY2015. The estimate for FY2015 did not include the annually-enacted hospital license fee. After adjusting for this (\$141.3 million), the net increase amounts to \$14.8 million (0.4 percent) above the adjusted FY2015 base estimate. The additional revenue is largely attributable to enhanced enforcement and sales tax expansions. An additional \$4.4 million in revenue is attributable to personal income tax collections, which is the largest source of the State's general revenue. The Governor increases Sales and Use taxes by \$6.9 million through

expansion of the hotel tax, enforcement of use tax payments for tangible personal property, and passage of legislation banning the use of technology that modifies sales data to understate tax liabilities.

**FY2015 General Revenues -
Governor's Proposal**



FY2015 GENERAL REVENUE ADJUSTMENTS

Revenue Changes	FY2013 Actual	FY2014 Nov. REC	FY2014 Gov.	FY2014 Change	FY2015 Nov. REC	FY2015 Governor	FY2015 Change
Personal Income Tax	\$1,085.8	\$1,120.7	\$1,120.7	-	\$1,153.9	\$1,158.3	\$4.4
Business Corporations	131.8	136.0	136.0	-	133.2	133.9	0.7
Public Utilities	99.6	95.9	95.9		97.5	97.5	-
Financial Institutions	12.6	4.3	4.3		4.5	4.5	-
Insurance Companies	92.7	100.6	100.6	-	108.7	107.7	(1.0)
Bank Deposits	2.9	2.9	2.9		2.9	2.9	-
Healthcare Providers	41.6	42.6	42.6	-	44.3	43.9	(0.4)
Sales and Use	878.9	904.0	904.0	-	930.6	937.5	6.9
Motor Vehicle	49.4	50.8	50.8		50.8	50.8	-
Motor Fuel	0.4	0.7	0.7		0.7	0.7	-
Cigarettes	132.5	136.3	136.3	-	132.4	133.2	0.8
Alcohol	12.2	18.2	18.2		17.0	17.0	-
Inheritance	28.5	31.8	31.8		31.8	31.8	-
Racing	1.2	1.2	1.2		1.1	1.1	-
Realty Transfer	7.4	8.0	8.0		8.4	8.4	-
Departmental Revenues	356.8	360.1	354.5	(5.6)	208.2	352.9	144.7
Unclaimed Property	6.3	10.9	10.9		10.1	10.1	-
Lottery	379.2	394.2	394.2	-	399.9	399.9	-
Other Misc.	4.2	7.5	11.7	4.2	2.5	2.5	-
Total	\$3,324.0	\$3,426.7	\$3,425.3	(\$1.3)	\$3,338.5	\$3,494.5	\$156.0

\$ in millions

Governor's Recommendations	FY2015
Enforcement	
<i>10.0 FTE Revenue Officer 1 Positions</i>	\$8.4
<i>Safe Harbor for Use Tax</i>	2.2
<i>Employee Misclassification Task Force</i>	1.8
<i>Block on "New" Vehicle Registrations</i>	0.5
<i>State Employee Income Tax Compliance</i>	0.4
Expansion	
<i>Hotel Tax on Hotel Resellers, Bed & Breakfasts and Timeshares</i>	1.4
<i>Tax on E-Cigarettes</i>	0.8
Other Revenue Changes	
<i>Anti-Zapper Legislation</i>	0.8
<i>Reduced Medicaid Premiums</i>	(1.0)
<i>Nursing Home Rate Freeze</i>	(0.4)
Total	\$14.8
<i>\$ in millions</i>	

ENFORCEMENT

The Governor proposes several enforcement activities estimated to generate \$13.3 million in FY2015.

10.0 FTE Revenue Officer 1 Positions **\$8.4 million**

The Governor proposes hiring 10.0 FTE Revenue Officer 1 positions in the Department of Revenue, Division of Taxation, including 7.0 new FTE positions and restoring funding to hire 3.0 current vacant FTE positions. Each of these positions is estimated to generate approximately \$900,000 per year in collections from personal income taxes, business taxes, sales and excise taxes, and fines and penalties. Responsibilities of this unit include investigating and prosecuting tax law violations as warranted. The Governor increases general revenue by \$8.4 million from this proposal.

Anticipated Collections	Total Revenue
Personal Income Taxes	\$2.7
General Business Taxes	0.7
Sales and Excise Taxes	2.7
Departmental Revenues	2.2
Total	\$8.4
<i>\$ in millions</i>	

Safe Harbor for Use Tax **\$2.2 million**

The Use Tax is owed to the State on tangible personal property purchased from vendors that do not collect and remit sales tax to Rhode Island. The Division of Taxation reported in 2011 only 958 returns (0.2 percent) of 492,402 personal income tax returns reported use tax. For tax year 2014, the Division of Taxation will establish a lookup table referencing taxpayers' federally adjusted gross income (AGI) for the purpose of calculating use tax owed. The Governor adds a "safe harbor" provision in Article 12, affirming that taxpayers claiming the flat amount determined by this table on a personal income tax return will be absolved of any penalties should the taxpayer later be the subject of an audit that determines use tax was underpaid. The Governor recommends a \$2.2 million increase in general revenues based on voluntary compliance from this proposal.

Employee Misclassification Task Force **\$1.8 million**

The Governor creates a Statewide Task Force to Combat Employee Misclassification in Article 16, consisting of representatives of the Department of Labor and Training, Division of Taxation, Department of Business Regulation's Workforce Regulation and Safety Division, Office of the Attorney General, and

the Department of Public Safety. Rhode Island law would be modified to create a Unified Statutory Definition of the Terms “Employee” and “Independent Contractor” in order to classify employees properly and modifies the filing requirements for independent contractors, ensuring critical benefits and protections. The proposal increases revenues by \$1.8 million, including \$990,000 in Personal Income taxes and \$810,000 in fines and penalties.

Block on “New” Vehicle Registrations **\$488,000**

Under Article 12, the Division of Motor Vehicles (DMV) will not register any motor vehicle or transfer the registration of any motor vehicle for any person whose name appears on a list of taxpayers with outstanding tax balances until all state taxes, fines and penalties are paid in full. Under current law, the DMV is only prohibited from renewing a registration. The article requires the Tax Administrator to provide the DMV with information for taxpayers who have neglected or refused to file a tax return or pay taxes owed to the Division of Taxation. Upon payment of taxes owed, the Division of Taxation will issue a certificate of good standing within 5 business days and upon receipt of that certificate, the DMV will issue the registration. The proposal increases revenues by \$488,000, including \$268,400 in Personal Income taxes and \$219,600 in fines and penalties.

State Employee Income Tax Compliance **\$400,000**

The Governor establishes the State Employee Compliance Project in Article 12, which will require all State employees to be in compliance with RI personal income tax laws as a condition of employment. If a State employee is found to have an outstanding liability, the employee must agree to be on a payment plan or would have their wages garnished. The Division of Taxation estimates 850 employees are non-compliant in filing state income tax returns. The Governor includes an increase of \$400,000 in general revenues.

EXPANSION

The Governor proposes tax expansions estimated to generate \$2.1 million in FY2015.

Hotel Tax on Hotel Resellers, Bed & Breakfasts, and Timeshares **\$1.4 million**

The Governor expands the definition of hotels subject to the State’s lodging tax under Article 12 to include Bed and Breakfast establishments with fewer than 3 boarding rooms, owners of timeshare properties, and to room resellers (sometimes called Online Travel Companies). The expansion of the hotel tax base would result in additional Sales and Use tax collections, as it is levied on the final price. Sales and Use tax collections are estimated to increase by \$1.2 million from the proposal. An additional \$182,544 in hotel taxes is estimated to be generated, resulting in \$1.4 million in total anticipated collections. Additionally, municipalities would receive \$249,319 from the Hotel Tax changes.

Tax on E-Cigarettes **\$750,000**

The Governor expands the definition of “other tobacco products” in Article 12 to include e-cigarettes, effectively subjecting these devices to a tax equal to 80.0 percent of the wholesale cost. E-cigarettes contain nicotine or nicotine derivatives. Currently, e-cigarettes are only subject to the sales and use tax. This proposal is estimated to generate an additional \$750,000 in Cigarette Taxes.

OTHER REVENUE CHANGES

Anti-Zapper Legislation **\$770,000**

An automated sales suppression device, also known as a “zapper,” is software that falsifies transaction data, transaction reports, or any other electronic records of sales. The software is intended to understate sales data for tax reporting purposes. Article 12 of the Governor’s proposal would make the use or sale of this technology illegal. Any use, sale or possession of this software is considered a felony and the violator may be charged a fine up to \$50,000, though the Governor does not include these fines as part of the

increase in revenue. The Governor increases general revenues by \$770,000 from increased sales and use tax collections.

Reduced Medicaid Premiums **(\$961,189)**

The Governor decreases insurance premium tax revenue by \$961,189 due to departmental savings initiatives that are expected to lower Medicaid managed care premiums. Since these premiums are subject to the premium tax, the Budget recognizes a commensurate reduction in premium tax revenue. Decreases are attributed to a reduction in the managed care rate (\$433,860); an initiative reducing high utilization of healthcare (\$326,221), freezing hospital rates (\$121,060); a review of purchasing durable medical equipment based on audits done by the Office of the Inspector General (OIG) (\$40,024); and imaging services utilization reviews (\$40,024).

Nursing Home Rate Freeze **(\$439,368)**

The Governor decreases revenues from the nursing facility provider assessment by \$439,368 due to a savings initiative that freezes nursing home rates at their current level. Since the assessment is levied upon nursing home receipts, lower than anticipated receipts will result in a reduction in assessment revenue. The total reduction results from suspending the nursing home Cost of Living Adjustment (COLA) effective October 1, 2014 (\$411,851); and an initiative to review long-term care financial eligibility of individuals receiving long-term care (\$27,517).

Hospital License Fee **\$141.3 million**

For FY2015, the Governor recommends \$141.3 million as part of Article 23, which reinstates the annually-enacted Hospital License Fee. Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments. This licensing fee is assessed on all hospitals equal to 5.246 percent applied to the current base of hospital fiscal year 2012 net patient revenues, excluding hospitals located in Washington County, Rhode Island subject to the approval of the Centers for Medicare and Medicaid Services, which receive a 3.305 percent discounted rate. These license fees are payable by July 17, 2013.

Fiscal Year	Rate	Revenue
2007	3.560%	\$66.8
2008	3.480%	73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	141.3
2015	5.246%	141.3

\$ in millions

OTHER REVENUE INITIATIVES

Prohibit Electronic Tax Filing Fee

Article 12 makes it illegal for any tax return preparer or a software company to charge a separate fee for the electronic filing of authorized tax documents. The goal of the initiative is to increase the percentage of tax returns filed electronically. Though civil penalties of \$500 for the first violation and \$1,000 for each succeeding violation will be imposed on programs or tax preparers that charge a fee for e-filing, the Governor does not include any additional revenues from this initiative.

Historic Structures Tax Credits

The Governor proposes Article 15, utilizing \$52.1 million that was originally set aside for a reserve fund for the Historic Structures Tax Credit program to increase the amount of available credits in the project fund from \$299.9 million to \$352.0 million. This article has no fiscal impact in FY2015 since proceeds from bonds previously issued will be sufficient to cover the credits that the Budget Office anticipates will be redeemed in FY2015. The additional \$52.1 million in historic tax credits represented by this article would be issued in FY2018 with annual debt service of \$7.2 million commencing in FY2019. Finance costs are estimated to be \$8.3 million for the additional credits based on an interest rate of 4.5 percent.

Changes Relating to the Marketplace Fairness Act

Article 14 repeals the changes to tax statutes that would be triggered by the passage of the federal Marketplace Fairness Act (MFA). The MFA would require remote sellers to collect and remit sales taxes to states. Under current law, if the federal legislation were to pass, the State sales tax would be lowered to 6.5 percent; local meals and beverage tax would be increased to 1.5 percent; sales & use tax owed on clothing and footwear over \$250 would be eliminated; and, the local hotel tax rate would increase from 1.0 percent to 1.5 percent.

Under this article, if the federal legislation were to pass the corporate tax rate would be reduced from 9.0 percent to 6.0 percent and the sales tax exemption on utilities that currently applies only to manufacturing businesses would be expanded to include all Rhode Island businesses. The article does not change the current law provision regarding the local hotel tax, which increases to 1.5 percent upon passage of the MFA.

This article has no immediate fiscal impact on general revenues because the changes in tax rates are dependent on the passage of the federal MFA.

FY2014 SUPPLEMENTAL CHANGES***Hospital Licensing Fee Payment Accrued to FY2013***

The FY2012 Hospital Licensing Fee (HLF) payment owed by Landmark Medical Center was received prior to the final FY2013 audit by the State Controller, accruing \$5.6 million in revenue back to FY2013. Original payment was delayed due to bankruptcy proceedings. The Governor's revised FY2014 budget submission included this debt to departmental revenues during the November 2013 Revenue Estimating Conference (REC). As a result, the funding is now reflected as part of the carry forward balance from FY2013.

Bond Premiums

Current law requires bond premium receipts to be deposited in the Rhode Island Capital Plan (RICAP) Fund. However, in order to reduce the projected deficit in the general fund for FY2015, the Governor recommends that the bond premiums received as part of the 2013 General Obligation Bond issue be transferred from the RICAP fund to the general fund. The proposal increases general revenues by \$3.3 million.

HealthSource RI – Rhode Island Health Benefits Exchange

As part of the national health care reform, Rhode Island’s health benefits exchange, HealthSource RI (HSRI), began in October 2013 as an online marketplace for individuals, families, and small businesses to compare and purchase health insurance coverage and gain access to tax credits, reduced cost sharing, and public programs such as Medicaid.

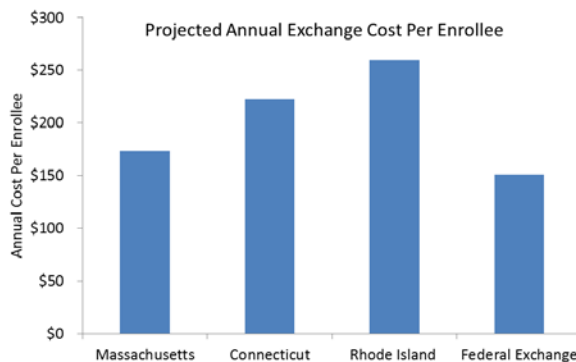
As of February 8, 2014, individual and small business enrollment into private health insurance plans was just over 16,500, which represents 20.4 percent of the estimated 81,000 who will be enrolled once fully implemented.

The Governor’s FY2015 budget includes \$23.4 million in federal funds for HSRI and assumes federal resources will be available to fund the exchange for the full fiscal year. According to the Affordable Care Act’s current mandate, however, federal funding will expire on December 31, 2014 at which time the exchange must be self-sustaining.

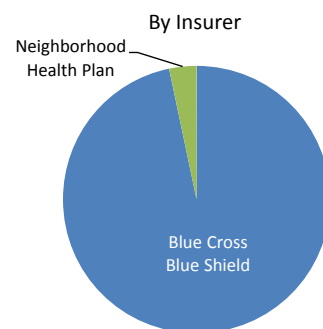
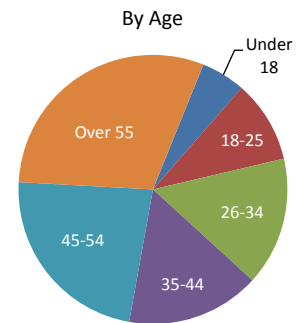
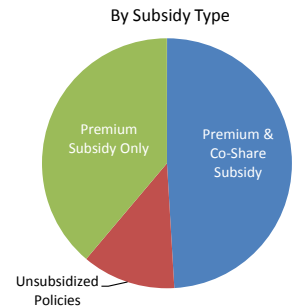
Though an extension of funding is assumed in the Governor’s budget, HSRI has not yet requested an extension from the federal government. Should the federal government deny HSRI’s request, HSRI would have to generate its own revenue to cover its operating costs in CY2015, a scenario that is not provided for in the Governor’s budget.

Whether required for the second half of FY2015 or beginning in FY2016, HealthSource RI has not yet proposed a business plan for self-sustainability.

HSRI estimates that \$17.9 million to \$23.9 million will be required to maintain and operate the marketplace. Due primarily to its small enrollment, cost per enrollee is higher than that of neighboring states and higher than participation in the federal exchange, as follows:



**HSRI Enrollment
As of February 8, 2014**



PRIVATE INSURANCE ENROLLMENT

As of February 8, 2014, 16,512 individuals have enrolled in private insurance plans, representing 20.4 percent of total expected enrollment of 81,000. Of those enrolled, 87.9 percent received federal subsidies for their insurance in the form of reduced premiums or in the form of reduced premiums and reduced cost-sharing for deductibles and point of service co-pays.

Unlike other states that delayed the launch of a small employer marketplace, HealthSource RI focused on and launched this program along with its individual marketplace. 107 employers representing 420 employees have enrolled in HSRI plans.

FISCAL UPDATE

Healthsource RI has been awarded approximately \$111.5 million in federal grants to date which have been used to fund three primary contracts that include both one-time and ongoing costs:

- IT design, development and implementation, Deloitte (\$61.8 million)
- Independent verification that IT build meets design specifications, CSG (\$1.8 million)
- Customer service call center, Connexions (\$10.1 million)

For FY2014 and FY2015, the Governor includes the following appropriation of federal funds:

DOA: HealthSource RI	FY2014 Enacted	FY2014 Governor	FY2015 Governor
Contracted Professional Services	\$25,470,821	\$49,185,825	\$19,021,516
Salary/Wages and Benefits	2,295,989	2,225,519	3,368,030
Operating Supplies and Expenses	551,475	918,971	1,043,676
Capital Purchases and Equipment	30,641	98,361	-
Total	\$28,348,926	\$52,428,676	\$23,433,222

The proposed budget does not include any general revenue or outside revenue for HSRI for FY2015. Federal funding is set to expire on December 31, 2014, after which time the exchange is to be self-funded. The Governor's budget, however, assumes HSRI will receive permission for continued use of federal funding until the end of FY2015. As noted above, this authority has not yet been requested and, should it not be granted and HSRI not identify an alternate revenue stream, HSRI operations would become unfunded as of December 31, 2014.

The Governor proposes 10.0 new FTE positions for FY2015, bringing total HSRI staffing to 25.0 FTE positions at a cost of \$3.4 million.

FTE Positions	FY2015
Director's Office	7.0
IT	3.0
Financial Management	10.0
Marketing	4.0
Legal	1.0
Total	25.0

SUSTAINABILITY

HSRI projects it will need \$17.9 million to \$23.9 million to maintain and operate the marketplace:

Projected Operating Budget	Low Estimate	High Estimate
Personnel Costs	\$3.0	\$4.5
Contract Costs		
Marketing, Education, Outreach, Enrollment	2.2	3.4
Data Analytics, Research, Reporting	4.0	5.0
Actuarial, Advisory, Legal Support	1.0	1.2
Customer Service Center	3.0	4.5
IT Maintenance and Operating	4.5	5.0
Administrative/Infrastructure Costs	0.2	0.3
Annual Revenue Requirement	\$17.9	\$23.9

\$ in millions

HSRI's operating and maintenance costs compare to other state exchange costs as follows. Cost per enrollee for participants in the federal health exchange represents a 3.5 percent assessment of the premium for Blue Cross Blue Shield of Rhode Island's VantageBlue Direct plan.

	Operating Cost Estimate	Estimated Enrollment	Cost per Enrollee	State Population	Cost per Resident
Massachusetts	\$34,700,000	200,232	\$173.30	6,646,144	\$5.22
Connecticut	34,500,000	155,250	222.22	3,590,347	9.61
Rhode Island	21,000,000	81,000	259.26	1,050,304	19.99
Federal Exchange			\$151.20		

Exchanges with lower levels of participation must spread fixed costs, which can account for up to 80.0 percent of cost in states such as Connecticut, across a smaller consumer population, resulting in higher per-enrollee costs for small states such as Rhode Island. It should be noted that both cost and enrollment estimates are subject to substantial revision as state marketplaces are rolled out and processes refined.

Many state-based exchanges have finalized business plans and funding mechanisms, with the most common being a percentage fee on plans purchased on exchanges. Massachusetts assesses a 1.5 percent premium assessment on policies purchased through its exchange and supplements this with general revenue to cover exchange costs. Connecticut plans to meet its exchange budget of approximately \$34.5 million through a 1.35 percent premium assessment on all health insurance policies written in Connecticut.

While HSRI has not yet proposed a plan for covering expenses beyond the expiration of federal funds, possible revenue sources and their approximate per-member-per-month and annual assessments required to fund a neutral scenario (\$21.0 million) are estimated as follows:

Assessment Base	Estimated Enrollment	% of RI Population	PMPM Assessment	Annual Assessment
Enrollees in HSRI Private Insurance	81,000	8.1%	\$21.60	\$259.26
All HSRI Enrollees (Including Medicaid)	273,000	27.3%	6.41	76.92
All Insureds Statewide	750,963	75.1%	2.33	27.96

Enrollment Data Sources: September 2012 IAPD, April 2012 OHIC Report to the General Assembly

Analyst's Note: HealthSource RI is one of three State health care IT initiatives built primarily with federal funds that has not yet identified a funding source for continued maintenance and operation.

Project	Description	Agency	Funding to Date	Estimated Annual Budget
HealthSource RI	Health insurance marketplace used by individuals and small employers and as Medicaid eligibility portal	DOA/HSRI	\$111.5 million	\$17.9 to \$23.9 million
All Payer Claims Database	Health insurance claims database used for insurance rates setting, industry transparency, and program integrity	Health, OHIC, OHHS, DOA/HSRI	\$5.1 million	\$1.3 million
CurrentCare	Clinical health database used by healthcare providers and for population health analytics	Health, OHHS	\$36.5 million	\$4.5 to \$4.8 million

HEALTHSOURCE RI ENROLLMENT PROFILE

The following profiles enrollees in the exchange as of February 8, 2014.

Age	Enrollment	Federal Subsidies	Enrollment	Carrier Selected	Enrollment
Under 18	880	Premium & Co-Share Subsidy	8,099	Blue Cross/Blue Shield	15,967
18-25	1,633	Premium Subsidy Only	6,414	Neighborhood Health Plan	545
26-34	2,551	Unsubsidized Policies	1,999		
35-44	2,651			Gender	Enrollment
45-54	3,803			Male	7,570
Over 55	4,994			Female	8,942

Municipal Aid

For FY2015, Payment in Lieu of Taxes (PILOT), Distressed Community Relief Aid, Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2014 Enacted level. Other indirect aid is projected to increase slightly for FY2015 based on historic collection rates. For FY2015, the Governor maintains funding for Municipal Incentive Aid at the FY2014 level of \$5.0 million. Current law would have required funding for Municipal Incentive Aid to increase to \$10.0 million in FY2015. The 2013 General Assembly included \$7.0 million in other funds for a Municipal Roads and Bridges Revolving Loan Fund. The Governor does not recommend additional funds for this program in FY2015.

Tables showing impacts by community are included at the end of this analysis.

Program	Municipal Aid FY2013 - FY2015					FY2015		
	FY2013	FY2014 Enacted	FY2014 Governor	Change from Enacted	Change from Enacted	FY2015 Governor	Change from Enacted	Change from Enacted
Payment in Lieu of Taxes	\$35.1	\$35.1	\$35.1	\$0.0	0.0%	\$35.1	\$0.0	0.0%
Distressed Communities	10.4	10.4	10.4	-	0.0%	10.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	-	5.0	5.0	-	0.0%	5.0	-	0.0%
State Aid to Libraries								
Grant-in-Aid	8.7	8.7	8.7	-	0.0%	8.7	-	0.0%
Library Construction	2.5	2.5	2.5	-	0.0%	2.3	(0.2)	-6.7%
Total Direct Aid	\$66.6	\$71.7	\$71.7	\$0.0	0.0%	\$71.5	(\$0.2)	-0.2%
Public Service Corporations Tax	\$12.7	\$13.2	\$13.2	\$0.0	0.0%	\$13.2	\$0.0	0.0%
Meals & Beverage Tax	21.4	21.8	21.8	-	0.0%	23.1	1.3	5.9%
Hotel Tax	6.7	6.5	6.5	-	0.0%	6.9	0.4	5.8%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$41.7	\$42.5	\$42.5	\$0.0	0.0%	\$44.2	\$1.6	3.9%
Total Aid	\$108.3	\$114.2	\$114.2	\$0.0	0.0%	\$115.7	\$1.5	1.3%

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

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

PILOT funding for FY2015 is maintained at the FY2014 Enacted level of \$35.1 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2014 represents a reimbursement rate of 22.0 percent. The redistribution of aid based on current law has not been completed by the Division of Municipal Finance at this time.

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2006	\$27.0	18.7%	27.0%
2007	27.8	2.9%	27.0%
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%
2011	27.6	0.0%	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	23.8%
2014	35.1	0.0%	22.0%
2015	35.1	0.0%	TBD

\$ in millions.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2013, \$10.4 million was appropriated and distributed to 7 qualifying municipalities. The City of Cranston met 3 of the 4 indices in FY2013 and became newly eligible for the Distressed Community Relief program. As a newly qualifying community, the City received 50.0 percent of the funding it would be entitled to in the first year (FY2013), and then the full amount thereafter. This has a distributional impact on other distressed communities eligible for these funds.

The Distressed Community Relief Fund is maintained at the FY2014 level of \$10.4 million. The City of Cranston, however, no longer qualifies as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities.

	FY2014	FY2015	Change
	Enacted	Governor	
Central Falls	\$170,622	\$197,930	\$27,309
Cranston	2,320,642	1,160,322	(1,160,320)
North Providence	846,788	948,672	101,884
Pawtucket	1,252,009	1,387,409	135,401
Providence	4,429,560	5,071,751	642,191
West Warwick	675,776	783,095	107,319
Woonsocket	689,062	835,279	146,217
Total	\$10,384,458	\$10,384,458	-

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised budget reduced that amount to \$117.2 million. For FY2011, FY2012, and FY2013, funding was reduced to \$10.0 million, and funding for fire districts was eliminated from the budget. In FY2011, the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500.

For FY2015, the Governor level funds payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million and excludes funding for fire districts. The Governor maintains the mandatory motor vehicle tax exemption at \$500 per vehicle. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

Motor Vehicle Excise Tax		
Fiscal Year	Total Funding	% Change
2006	\$117.6	12.1%
2007	136.2	15.8%
2008	135.3	-0.7%
2009	135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%
2014	10.0	0.0%
2015	10.0	0.0%

\$ in millions.

FY2012 - FY2014 Motor Vehicle Exemptions

Municipality	FY2012	FY2013	FY2014	Municipality	FY2012	FY2013	FY2014
Barrington	\$500	\$500	\$1,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	3,000	Newport	6,000	6,000	6,000
Burrillville	1,500	1,500	1,500	New Shoreham	6,000	6,000	1,000
Central Falls	1,000	1,000	1,000	North Kingstown	3,000	3,000	3,000
Charlestown	500	500	500	North Providence	500	500	500
Coventry	500	500	500	North Smithfield	500	500	675
Cranston	500	500	500	Pawtucket	500	500	500
Cumberland	500	500	500	Portsmouth	3,000	3,000	3,000
East Greenwich	6,000	6,000	6,000	Providence	1,000	1,000	1,000
East Providence	500	500	500	Richmond	500	500	500
Exeter	500	500	500	Scituate	6,000	6,000	6,000
Foster	3,100	3,100	3,100	Smithfield	1,000	1,000	1,000
Glocester	500	500	500	South Kingstown	3,000	3,000	3,000
Hopkinton	500	500	500	Tiverton	6,000	6,000	6,000
Jamestown	6,000	6,000	6,000	Warren	500	500	500
Johnston	500	500	500	Warwick	500	2,000	2,000
Lincoln	3,000	3,000	3,000	Westerly	1,500	1,500	1,500
Little Compton	6,000	6,000	6,000	West Greenwich	500	500	500
Middletown	3,000	3,000	3,000	West Warwick	3,000	2,500	1,000
				Woonsocket	500	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. Article 2 of the Governor's FY2015 Budget proposal maintains funding for this program at the FY2014 level of \$5.0 million. For FY2015 and FY2016, current law would have required funding of \$10.0 million.

The Division of Municipal Finance within the Department of Revenue administers and manages the program, and aid is distributed in March to eligible communities based on municipal population as a share of the total state population, as reported by the U.S. Department of Commerce, Bureau of the Census.

The Governor's budget maintains Municipal Incentive Aid as a 3-year program, with funding ending after FY2016.

Eligibility Requirements FY2015 and FY2016: For FY2015 and FY2016, municipalities will be eligible to receive Incentive Aid if they comply with at least one of the following requirements:

- The municipality has no locally-administered pension plans.
- The municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014.
- The municipality has submitted a Funding Improvement Plan (FIP), meeting the guidelines of the Locally Administered Pension Plan Study Commission to DOR for every locally-administered pension plan, and the FIP meets the guidelines of the Study Commission on Locally-Administered Pension Plans (or otherwise applicable guidelines or regulations), and the municipality has implemented the original FIP pursuant to chapter 45-65, and the FIPs are approved by the plan sponsor and the local governing body by June 1, 2014.
- The municipality has implemented the original recommended FIP or an amended FIP within eighteen months after an actuary has certified that a locally administered plan is in critical status and the FIP is approved by the plan sponsor and the local governing body.

- There exists a locally-administered pension plan in the municipality, but no FIP was required, and the municipality is funding 100.0 percent of its Annually Required Contribution (ARC); or, if the due date for the FIP submission or implementation is after the distribution of this municipal incentive aid.

If a municipality does not meet the eligibility requirements to receive an appropriation in any fiscal year, that municipality's appropriation will be distributed among the other eligible municipalities for that fiscal year, based on population. In FY2014, all communities in the State are eligible for aid, with the exception of Coventry. Although the Town of Coventry submitted a FIP to the Department of Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. Therefore, the Town will not receive its Municipal Incentive Aid allocation of \$166,126 for FY2014, and these funds will be distributed to the remaining communities in May. The Town is included for Municipal Incentive Aid funding in FY2015 but has not yet met the eligibility requirements to receive it.

Analyst's Note: In a letter to the Coventry Town Manager, dated January 15, 2014, the Director of the Department of Revenue suggested that the Department would support a unified effort to seek approval from the General Assembly to place Coventry's Municipal Incentive Aid allocation of \$166,126 in escrow pending final approval of its FIP and pending resolution of responsibility for the Coventry School Employees' Plan. Legislation has not been introduced at this time.

State Aid to Libraries Grant-in aid

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Governor recommends funding for FY2015 at the FY2014 level of \$8.7 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$855,066.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years.

For FY2014, the General Assembly includes \$2.5 million for Library Construction Aid, and for FY2015, the General Assembly recommends \$2.3 million, a decrease of \$169,076 to reflect actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ends on July 1, 2014. OLIS is aware of two communities that may be moving forward with project applications. A project in Foster, at an estimated cost of \$4.0 million (\$2.0 million state reimbursement), would not have an impact on the state budget until FY2017, if it were approved by OLIS. A Greenville project (Smithfield) still needs voter approval.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2006	\$8.4	\$2.6	\$11.0	4.4%
2007	8.7	2.8	11.5	4.0%
2008	8.7	2.7	11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%

\$ in millions.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Governor recommends funding of \$633,209 for the Property Revaluation program in FY2015, an increase of \$116,594 over the FY2014 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2015: Exeter, Foster, Middletown, Narragansett, Newport, Pawtucket, Tiverton, and Woonsocket.

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2006	\$1.2	70.9%
2007	2.1	78.0%
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%

\$ in millions.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2006	\$12.2	-16.5%
2007	10.3	-15.2%
2008	10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	13.2	0.0%

\$ in millions.

The FY2015 Budget provides \$13.2 million be distributed to municipalities on July 31, 2014.

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State: it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered. For FY2014, the Office of Revenue Analysis estimates meal and beverage tax distributions at \$21.8 million. For FY2015, the Office of Revenue Analysis anticipates growth of 5.9 percent in collections, yielding \$23.1 million.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located. The balance of the tax is deposited as state general revenues (21.0 percent); forwarded to the Greater Providence-Warwick Convention and Visitors' Bureau (7.0 percent), or distributed to the regional tourism district where the hotel is located (47.0 percent).

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. An expansion of the hotel tax to include hotel room resellers, operators of bed and breakfast inns, and owners of timeshare properties, proposed in Article 12 of the Governor's FY2015 budget, is expected to increase aid to municipalities by \$249,319.

Total distribution to municipalities is estimated at \$6.5 million for FY2014 and \$6.9 million for FY2015.

OTHER AID TO LOCAL GOVERNMENT**Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and are projected to reach \$908,983 in FY2014. The Governor's FY2015 budget includes \$922,013 in CFCs for the benefit of the City of Warwick.

Meals & Beverage Tax

Fiscal Year	Total Funding	% Change
2006	\$17.6	2.5%
2007	18.8	6.9%
2008	18.7	-0.4%
2009	18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	21.8	2.0%
2015	23.1	5.9%

\$ in millions.

Hotel Tax

Fiscal Year	Total Funding	% Change
2006	\$5.4	50.0%
2007	5.7	5.6%
2008	5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	6.9	5.8%

\$ in millions.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2015. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2015 Estimate	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$193,000		\$793,000
Block Island		31,500		31,500
Middletown-Newport Airport ¹		43,000		43,000
North Central				
Smithfield		20,000	5,000	25,000
Lincoln		20,000	5,000	25,000
North Kingstown - Quonset		66,000		66,000
Westerly		41,500		41,500
Total	\$600,000	\$415,000	\$10,000	\$1,025,000

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow for road and bridge projects. The initial investment allows for loans to begin in FY2014, and future capitalizations combined with the revolved funds will allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Clean Water Finance Agency (CWFA). Communities submitted 23 applications to the Rhode Island Department of Transportation (RIDOT), based on regulations development by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits
- The extent to which the project would be able to proceed at an earlier date
- The likelihood the project will provide mobility benefits
- The cost effectiveness of the project
- The likelihood that the project will increase safety
- The readiness of the project to proceed during the next calendar year

CWFA will vote on its first group of borrowers in the Spring of 2014. The Governor does not include additional funding to capitalize this program in FY2015.

Analyst's Note: Bills that would allow communities to borrow from the Municipal Road and Bridge Revolving Fund without prior voter approval are pending before the General Assembly.

FY2014 Governor's Revised Direct Municipal Aid to Cities and Towns
Distressed

Municipality	FY2014 Enacted		Payment In Lieu of Taxes	Communities Relief Fund	Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in-Aid ¹	Construction Aid	FY2014	
	Enacted	Change from Enacted							Library Aid	Construction Aid
Barrington	\$756,453	\$13,387	\$0	\$77,873	\$253,456	\$341,149	\$70,588	\$756,453	\$0	
Bristol	1,306,081	692,850	-	109,663	101,579	129,784	272,206	1,306,081	-	
Burrillville	801,320	112,264	-	75,643	192,748	129,564	291,100	801,320	-	
Central Falls	388,482	24,639	170,622	91,844	87,356	14,022	-	388,482	-	
Charlestown	127,793	-	-	37,260	42,696	47,837	-	127,793	-	
Coventry ²	617,176	-	-	-	235,735	215,315	-	451,050	(166,126)	
Cranston	9,479,088	5,236,468	2,320,642	381,765	966,785	541,181	32,247	9,479,088	-	
Cumberland	876,142	101	-	158,222	235,961	213,526	-	876,142	-	
East Greenwich	612,529	204,946	-	62,403	90,440	121,963	132,777	612,529	-	
East Providence	1,357,372	176,390	-	224,226	484,524	403,334	68,898	1,357,372	-	
Exeter	238,026	-	-	30,874	89,481	41,703	75,968	238,026	-	
Foster	109,304	372	-	21,699	55,664	31,569	-	109,304	-	
Glocester	217,755	-	-	46,378	99,703	71,674	-	217,755	-	
Hopkinton	139,296	-	-	38,721	66,491	34,084	-	139,296	-	
Jamestown	187,832	-	-	25,703	23,683	80,467	57,979	187,832	-	
Johnston	660,911	-	-	136,438	404,093	120,380	-	660,911	-	
Lincoln	501,357	-	-	100,146	209,370	191,841	-	501,357	-	
Little Compton	60,944	-	-	16,614	14,660	29,670	-	60,944	-	
Middletown	344,432	-	-	76,967	73,198	135,566	58,701	344,432	-	
Narragansett	264,450	-	-	75,677	85,718	123,055	-	264,450	-	
Newport	1,911,791	1,101,494	-	116,689	84,173	378,526	230,909	1,911,791	-	
New Shoreham	150,147	-	-	4,521	4,089	78,316	63,221	150,147	-	
North Kingstown	623,435	1,941	-	125,830	197,458	263,710	34,496	623,435	-	
North Providence	2,090,997	544,065	846,788	152,463	375,931	171,750	-	2,090,997	-	
North Smithfield	301,532	-	-	56,226	181,965	63,341	-	301,532	-	
Pawtucket	3,099,379	472,601	1,252,009	338,637	720,887	315,245	-	3,099,379	-	
Portsmouth	270,475	-	-	82,157	84,872	103,446	-	270,475	-	
Providence ¹	33,736,148	24,227,137	4,429,560	845,052	1,737,590	2,195,152	301,658	33,736,148	-	
Richmond	123,863	-	-	36,481	61,243	26,139	-	123,863	-	
Scituate	219,051	-	-	48,939	74,943	95,169	-	219,051	-	
Smithfield	1,184,915	537,747	-	101,773	275,736	269,659	-	1,184,915	-	
South Kingstown	658,653	154,721	-	144,389	146,786	203,946	8,811	658,653	-	
Tiverton	232,292	-	-	74,510	63,673	94,109	-	232,292	-	
Warren	191,342	-	-	50,918	86,863	53,561	-	191,342	-	
Warwick	3,744,927	1,226,062	-	394,569	1,270,121	688,368	165,806	3,744,927	-	
Westerly	951,312	121,833	-	108,439	201,730	265,543	253,767	951,312	-	
West Greenwich	108,984	-	-	28,597	53,261	27,126	-	108,984	-	
West Warwick	1,159,372	-	675,776	138,805	197,021	147,770	-	1,159,372	-	
Woonsocket	1,870,967	231,391	689,062	196,763	388,319	197,423	168,009	1,870,967	-	
Total	\$71,676,325	\$35,080,409	\$10,384,458	\$4,833,874	\$10,000,002	\$8,710,789	\$2,500,667	\$71,676,325	(166,126)	

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

² The Town of Coventry did not meet eligibility criteria; therefore, the Governor does not including funding in FY2014 Revised.

FY2015 Direct Municipal Aid to Cities and Towns (Governor)

Municipality	FY2014		Payment In		Distressed		Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in-Aid ¹	Library		Change from	
	Revised	Lieu of Taxes	Relief Fund	Communities	Relief Fund	Incentive Aid				Aid	Construction	Total FY2015	FY2014
Barrington	\$756,453	\$13,387	\$0	\$77,684	\$253,456	\$341,488	\$68,534	\$754,549					(\$1,904)
Bristol	1,306,081	692,850	-	108,279	101,579	139,595	274,019	1,316,322					10,240
Burrillville	801,320	112,264	-	76,012	192,748	141,022	283,801	805,847					4,528
Central Falls	388,482	24,639	197,930	92,041	87,356	17,569	-	419,535					31,052
Charlestown	127,793	-	-	37,165	42,696	47,766	-	127,627					(166)
Coventry	451,050	-	-	166,347	235,735	222,474	-	624,556					173,506
Cranston	9,479,088	5,236,468	1,160,322	382,177	966,785	539,079	30,479	8,315,310					(1,163,778)
Cumberland	876,142	101	-	159,373	235,961	273,112	211,377	879,924					3,782
East Greenwich	612,529	204,946	-	62,434	90,440	121,085	63,277	542,182					(70,347)
East Providence	1,357,372	176,390	-	223,973	484,524	363,025	67,115	1,315,027					(42,345)
Exeter	238,026	-	-	31,592	89,481	45,664	75,968	242,705					4,679
Foster	109,304	372	-	21,858	55,664	31,550	-	109,444					140
Gloicester	217,755	-	-	46,472	99,703	71,631	-	217,806					51
Hopkinton	139,296	-	-	38,747	66,491	34,685	-	139,923					627
Jamestown	187,832	-	-	25,749	23,683	87,697	-	137,129					(50,703)
Johnston	660,911	-	-	136,944	404,094	124,729	-	665,767					4,856
Lincoln	501,357	-	-	100,421	209,370	191,018	-	500,809					(548)
Little Compton	60,944	-	-	16,585	14,660	30,298	-	61,543					599
Middletown	344,432	-	-	76,729	73,198	137,973	57,207	345,107					675
Narragansett	264,450	-	-	75,356	65,718	122,983	-	264,057					(393)
Newport	1,911,791	1,101,494	-	115,804	84,173	381,739	224,234	1,907,444					(4,347)
New Shoreham	150,147	-	-	4,100	4,089	78,270	64,538	150,997					850
North Kingstown	623,435	1,941	-	125,495	197,458	273,440	33,280	631,614					8,179
North Providence	2,090,997	544,065	948,672	152,655	375,931	176,242	-	2,197,565					106,568
North Smithfield	301,532	-	-	56,686	181,965	63,304	-	301,955					423
Pawtucket	3,099,379	472,601	1,387,409	338,470	720,887	329,493	-	3,248,860					149,481
Portsmouth	270,475	-	-	82,316	84,872	103,554	-	270,742					267
Providence ¹	33,736,148	24,227,137	5,071,751	846,508	1,737,590	2,145,198	287,746	34,315,930					579,781
Richmond	123,863	-	-	36,424	61,243	26,531	-	124,198					335
Scituate	219,051	-	-	49,137	74,943	95,113	-	219,193					142
Smithfield	1,184,915	537,747	-	102,008	275,736	269,275	-	1,184,766					(149)
South Kingstown	658,653	154,721	-	144,745	146,786	199,345	-	645,597					(13,056)
Tiverton	232,292	-	-	74,767	63,673	102,842	-	241,282					8,990
Warren	191,342	-	-	50,605	86,863	53,916	-	191,384					42
Warwick	3,744,927	1,226,062	-	392,875	1,270,121	691,943	167,779	3,748,780					3,854
Westerly	951,312	121,833	-	108,255	201,730	255,839	253,767	941,424					(9,888)
West Greenwich	108,984	-	-	28,889	53,261	28,154	-	110,304					1,320
West Warwick	1,159,372	-	-	783,095	138,389	155,644	-	1,274,149					114,777
Woonsocket	1,870,967	231,391	835,279	195,939	388,319	196,505	168,470	2,015,903					144,936
Total	\$71,510,199	\$35,080,409	\$10,384,458	\$5,000,000	\$10,000,000	\$8,710,790	\$2,331,591	\$71,507,256					(\$2,943)

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2014 Indirect Local Aid to Cities and Towns

Municipality	FY2013 Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2014 Total Indirect Aid	Change from FY2013
Barrington	\$334,745	\$205,617	\$140,738	\$0	\$346,355	\$11,610
Bristol	653,412	289,555	353,116	30,309	672,980	19,568
Burrillville	365,599	199,730	176,444	-	376,174	10,575
Central Falls	335,634	242,507	104,134	-	346,641	11,007
Charlestown	222,802	98,381	110,430	20,323	229,134	6,333
Coventry	857,343	438,642	372,548	70,692	881,882	24,538
Cranston	2,470,465	1,008,020	1,518,621	9,198	2,535,839	65,374
Cumberland	788,232	417,774	391,340	-	809,114	20,881
East Greenwich	635,509	164,770	484,805	367	649,942	14,433
East Providence	1,406,254	592,051	818,421	35,654	1,446,126	39,872
Exeter	152,376	81,520	76,289	-	157,809	5,433
Foster	69,930	57,295	14,605	132	72,032	2,102
Glocester	190,638	122,456	72,747	1,811	197,014	6,376
Hopkinton	146,986	102,239	49,242	-	151,481	4,495
Jamestown	157,784	67,867	84,057	10,222	162,146	4,361
Johnston	826,261	360,253	481,407	6,548	848,208	21,947
Lincoln	1,036,784	264,428	705,910	89,914	1,060,252	23,468
Little Compton	83,753	43,867	33,671	8,756	86,294	2,542
Middletown	1,417,189	203,225	631,797	612,044	1,447,066	29,877
Narragansett	814,781	199,818	554,106	80,107	834,031	19,249
Newport	3,864,541	308,107	1,902,127	1,726,727	3,936,961	72,420
New Shoreham	501,463	11,937	265,712	231,486	509,135	7,672
North Kingstown	855,237	332,245	480,338	65,082	877,665	22,428
North Providence	726,635	402,567	346,195	-	748,762	22,128
North Smithfield	331,937	148,460	188,449	2,569	339,478	7,541
Pawtucket	1,583,253	894,145	695,812	43,228	1,633,185	49,933
Portsmouth	393,778	216,929	179,149	8,408	404,486	10,708
Providence	8,392,595	2,231,291	4,609,224	1,746,158	8,586,673	194,078
Richmond	215,139	96,326	120,921	3,476	220,723	5,584
Scituate	189,714	129,220	62,506	3,982	195,708	5,995
Smithfield	955,571	268,724	578,904	130,448	978,076	22,505
South Kingstown	1,127,516	381,247	646,410	125,057	1,152,714	25,198
Tiverton	382,929	196,736	196,200	-	392,936	10,008
Warren	374,598	134,444	250,968	-	385,412	10,814
Warwick	4,242,054	1,041,829	2,406,037	895,867	4,343,733	101,679
Westerly	1,318,781	286,324	730,227	332,003	1,348,554	29,773
West Greenwich	256,775	75,508	101,497	84,578	261,583	4,808
West Warwick	757,083	366,504	323,440	89,146	779,090	22,007
Woonsocket	1,058,941	519,536	518,635	54,000	1,092,171	33,230
Total	\$40,495,014	\$13,202,094	\$21,777,177	\$6,518,292	\$41,497,563	\$1,002,549

FY2015 Indirect Local Aid to Cities and Towns

Municipality	FY2014				FY2015 Total Indirect Aid	Change from FY2014
	Public Service Indirect Aid	Corp. Tax	Meals and Beverage Tax	Hotel Tax		
Barrington	\$346,355	\$205,617	\$148,404	\$0	\$354,021	\$7,666
Bristol	672,980	289,555	360,317	34,052	683,924	10,944
Burrillville	376,174	199,730	209,468	-	409,198	33,024
Central Falls	346,641	242,507	102,591	-	345,098	(1,543)
Charlestown	229,134	98,381	117,928	19,158	235,467	6,333
Coventry	881,882	438,642	381,214	68,715	888,571	6,689
Cranston	2,535,839	1,008,020	1,615,035	9,144	2,632,199	96,360
Cumberland	809,114	417,774	418,217	-	835,991	26,877
East Greenwich	649,942	164,770	546,085	532	711,387	61,445
East Providence	1,446,126	592,051	880,760	35,505	1,508,316	62,190
Exeter	157,809	81,520	83,930	-	165,450	7,641
Foster	72,032	57,295	16,016	89	73,400	1,368
Glocester	197,014	122,456	78,783	1,898	203,137	6,123
Hopkinton	151,481	102,239	55,751	-	157,990	6,509
Jamestown	162,146	67,867	83,545	9,409	160,821	(1,325)
Johnston	848,208	360,253	501,587	7,029	868,869	20,661
Lincoln	1,060,252	264,428	734,957	97,301	1,096,686	36,434
Little Compton	86,294	43,867	41,199	10,413	95,479	9,185
Middletown	1,447,066	203,225	649,459	604,208	1,456,892	9,826
Narragansett	834,031	199,818	540,384	79,746	819,948	(14,083)
Newport	3,936,961	308,107	2,064,335	1,839,465	4,211,907	274,946
New Shoreham	509,135	11,937	278,201	262,269	552,407	43,272
North Kingstown	877,665	332,245	499,111	72,697	904,053	26,388
North Providence	748,762	402,567	375,812	-	778,379	29,617
North Smithfield	339,478	148,460	211,130	3,210	362,800	23,322
Pawtucket	1,633,185	894,145	700,761	47,625	1,642,531	9,346
Portsmouth	404,486	216,929	191,566	9,175	417,670	13,184
Providence	8,586,673	2,231,291	4,917,696	1,820,430	8,969,417	382,744
Richmond	220,723	96,326	128,437	3,714	228,477	7,754
Scituate	195,708	129,220	72,735	3,393	205,348	9,640
Smithfield	978,076	268,724	628,350	132,591	1,029,665	51,589
South Kingstown	1,152,714	381,247	693,891	132,107	1,207,245	54,531
Tiverton	392,936	196,736	203,605	-	400,341	7,405
Warren	385,412	134,444	248,669	-	383,113	(2,299)
Warwick	4,343,733	1,041,829	2,523,900	968,315	4,534,044	190,311
Westerly	1,348,554	286,324	769,745	380,840	1,436,909	88,355
West Greenwich	261,583	75,508	112,199	91,300	279,007	17,424
West Warwick	779,090	366,504	338,506	86,050	791,060	11,970
Woonsocket	1,092,171	519,536	527,242	62,861	1,109,639	17,468
Total	\$41,497,563	\$13,202,094	\$23,051,521	\$6,893,241	\$43,146,856	\$1,649,293

Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provides a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula establishes a per-pupil spending amount and allocates this funding based on student enrollment, adjusting for poverty (as measured by the number of students enrolled in the federal free or reduced price lunch program). It also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. FY2015 represents the fourth year of the transition period.

HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Governor's FY2015 recommendation is based on student enrollments as of October 2013, adjusted for projected charter school enrollments for the 2014 to 2015 school year. However, since the statute requires the use of enrollment data from the prior school year, the Department of Education intends to update this distribution based on the March 2014 enrollments, subject to the transition period.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$8,966 in FY2015, a 0.8 percent increase from the FY2014 Budget as Enacted). It is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).

Step 3 - High Need Student Weight (40.0 percent): The Act includes a single factor to adjust the core instruction amount to address the effects of poverty and other factors influencing educational need. The student success factor, also referred to as the high need student weight, increases the core instruction amount by 40.0 percent, or \$3,586 based on the Governor's FY2015 core instruction amount of \$8,966 ($\$8,966 \times 0.40 = \$3,586$), for each student eligible for free or reduced lunch (FRLP).

Step 4 - Total Foundation Budget: The total foundation budget for each school district is calculated by adding the product of the total core amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$8,966 \times \text{RADM}) + (0.40 \times \$8,966 \times \text{FRPL})$$

Step 5 - State Share Ratio: The formula establishes a new share ratio calculation to determine the State's share of the total foundation budget. The calculation uses two variables: the equalized weighted assessed valuation (EWAV) and the concentration of child poverty (percent of pre-kindergarten-grade 6 enrollment in subsidized lunch). By squaring each factor, the formula amplifies the greater of the two variables. School districts with less capacity to raise revenue and a higher concentration of child poverty than the

state as a whole look relatively poorer, while those school districts with higher capacity to raise revenue and lower concentrations of poverty compared to the state look relatively wealthier.

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{a^2 + b^2}{2}}$$

Where a = EWAV and b = %PK-6 FRLP

The EWAV share ratio is based on each community's total assessed property value, relative to property values across the state. The total community property value includes motor vehicles, personal property and payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools. The Act adjusted the EWAV share ratio calculation to increase the state's share of the total foundation budget.

The distribution recommended by the Governor includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The ACS is based on a questionnaire that is sent each month to a sample of about 250,000 addresses in the United States. Each year, this data is compiled and estimates are made for different social, economic, and housing characteristics. The data used in the EWAV is comprised of a five-year rolling average. For example, the data in the Governor's recommendation, released in December 2012, is the average of the data collected between January 1, 2007, and December 31, 2011.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2015. The actual distributions may vary when new enrollment data becomes available in March and is incorporated into the formula. The Act requires that the distribution be based on the enrollment data from the previous school year, but does not provide a specific enrollment date.

Governor's Proposed FY2015 Education Aid Calculator¹

Districts	PK-12 RADM (March 2013)		FRPL RADM (March 2013)		Student Success		EMAV ³	I	State Share Ratio	State Share of Foundation Budget	FY2014 Enacted home and categorical	K	J-K-L	FY2015 (Year 4) formula change if + is /; - if -
	A	B	C	D	E	F								
	PK-12 RADM (March 2013) projected charter	FRPL RADM (March 2013) projected charter	Core Instruction Funding (C = \$8,966)	A*C-D	B*F-G	D+G-H	%FRPL PKG							
Barrington	3,276	207	\$29,372,616	\$742,385	\$30,115,001	\$30,115,001	7.1%	29.2%	21.2%	\$6,399,172	\$3,918,965	\$2,480,207	\$620,052	
Burrillville	2,407	905	21,581,162	3,245,692	24,826,854	24,826,854	37.8%	65.7%	53.6%	\$13,306,511	12,712,387	594,124	148,531	
Charlestown	921	265	8,257,686	950,396	9,208,082	9,208,082	26.5%	0.0%	18.7%	\$1,725,441	1,706,995	18,446	4,611	
Coventry	4,783	1,418	42,884,378	5,085,515	47,969,893	47,969,893	29.4%	61.6%	48.3%	\$23,152,419	20,180,158	2,972,262	743,065	
Cranston	10,009	4,416	89,740,694	15,837,542	105,578,236	105,578,236	45.9%	61.6%	54.3%	\$57,350,318	42,922,101	14,428,217	3,607,054	
Cumberland	4,505	1,036	40,391,830	3,715,510	44,107,340	44,107,340	23.6%	54.8%	42.2%	\$18,608,907	14,621,350	3,987,558	996,889	
East Greenwich	2,326	182	20,854,916	652,725	21,507,641	21,507,641	8.3%	15.9%	12.7%	\$2,727,742	2,266,168	461,574	115,393	
East Providence	5,351	2,668	47,977,066	9,568,515	57,545,581	57,545,581	53.2%	60.4%	56.9%	\$32,751,475	27,403,793	5,347,682	1,336,921	
Foster	280	65	2,510,480	233,116	2,743,596	2,743,596	24.2%	51.8%	40.4%	\$1,109,187	1,189,070	(79,883)	(11,412)	
Glocester	524	120	4,698,184	430,368	5,128,552	5,128,552	24.7%	54.8%	42.5%	\$2,179,825	2,683,922	(504,097)	(72,014)	
Hopkinton	1,208	334	10,830,928	1,197,858	12,028,786	12,028,786	31.4%	62.0%	49.1%	\$5,911,239	5,515,535	395,704	98,926	
Jamestown	656	65	5,881,696	233,116	6,114,812	6,114,812	12.2%	0.0%	8.6%	\$527,507	359,449	168,058	42,014	
Johnston	2,982	1,352	26,736,612	4,848,813	31,585,425	31,585,425	47.2%	56.0%	51.8%	\$16,357,225	11,636,085	4,721,141	1,180,285	
Lincoln	3,113	829	27,911,158	2,973,126	30,884,284	30,884,284	30.2%	47.1%	39.6%	\$12,218,726	8,822,047	3,396,678	849,170	
Little Compton	402	60	3,604,332	215,184	3,819,516	3,819,516	19.4%	0.0%	13.7%	\$523,956	365,270	158,687	39,672	
Middletown	2,407	735	21,581,162	2,636,004	24,217,166	24,217,166	32.1%	33.7%	32.9%	\$7,969,803	8,678,862	(709,060)	(101,294)	
Narragansett	1,428	336	12,803,448	1,205,030	14,008,478	14,008,478	26.7%	0.0%	18.9%	\$2,644,766	1,799,609	845,157	211,289	
Newport	2,047	1,304	18,353,402	4,676,666	23,030,068	23,030,068	66.1%	0.0%	46.7%	\$10,764,198	10,371,310	392,888	56,127	
New Shoreham	111	14	995,226	50,210	1,045,436	1,045,436	13.4%	0.0%	9.5%	\$99,057	75,366	23,691	5,923	
North Kingstown	3,878	773	34,770,148	2,772,287	37,542,435	37,542,435	25.4%	29.1%	27.3%	\$10,253,862	10,791,146	(537,283)	(76,755)	
North Providence	3,383	1,519	30,331,978	5,447,742	35,779,720	35,779,720	46.4%	64.4%	56.1%	\$20,081,828	14,744,604	5,337,224	1,334,306	
North Smithfield	1,769	297	15,860,854	1,065,161	16,926,015	16,926,015	19.1%	47.1%	35.9%	\$6,083,036	5,244,804	838,233	209,558	
Pawtucket	8,568	6,968	76,820,688	24,990,035	101,810,723	101,810,723	80.8%	85.8%	83.3%	\$84,846,518	70,719,232	14,127,286	3,531,822	
Portsmouth	2,453	362	21,993,598	1,298,277	23,291,875	23,291,875	16.0%	1.1%	11.3%	\$2,641,395	4,570,144	(1,928,749)	(275,536)	
Providence	21,995	19,610	197,207,170	70,328,372	267,535,542	267,535,542	90.5%	85.5%	88.0%	\$235,526,263	203,678,050	31,848,213	7,962,053	
Richmond	1,161	205	10,409,526	735,212	11,144,738	11,144,738	22.0%	50.7%	39.1%	\$4,355,362	5,335,436	(980,074)	(140,011)	
Situate	1,479	246	13,260,714	882,254	14,142,968	14,142,968	18.0%	42.3%	32.5%	\$4,597,324	3,685,657	911,667	227,917	
Smithfield	2,327	366	20,863,882	1,312,622	22,176,504	22,176,504	16.5%	26.0%	21.8%	\$4,828,803	4,684,041	144,762	36,191	
South Kingstown	3,341	628	29,955,406	2,252,259	32,207,665	32,207,665	19.8%	17.1%	18.5%	\$5,958,200	7,785,495	(1,827,294)	(261,042)	
Tiverton	1,849	515	16,578,134	1,846,996	18,425,130	18,425,130	30.6%	34.4%	32.6%	\$5,998,392	5,769,004	229,388	57,347	
Warwick	9,279	3,313	83,195,514	11,881,743	95,077,257	95,077,257	36.8%	45.4%	41.3%	\$39,290,037	34,762,103	4,527,934	1,131,983	
Westerly	3,115	1,152	27,929,090	4,131,533	32,060,623	32,060,623	40.6%	0.0%	28.7%	\$9,204,135	7,122,961	2,081,174	520,294	
West Warwick	3,369	1,691	30,206,454	6,064,602	36,271,056	36,271,056	53.3%	70.9%	62.7%	\$22,749,356	20,265,989	2,483,366	620,842	
Woonsocket	5,624	4,194	50,424,784	15,041,362	65,466,146	65,466,146	79.6%	88.5%	84.2%	\$55,101,362	47,972,469	7,128,893	1,782,223	
Bristol-Warren	3,429	1,288	30,744,414	4,619,283	35,363,697	35,363,697	37.8%	35.6%	36.7%	\$12,984,305	16,455,588	(3,471,283)	(495,898)	
Exeter-West Greenwich	1,679	264	15,053,914	946,810	16,000,724	16,000,724	17.4%	34.2%	27.1%	\$4,341,477	5,858,269	(1,516,792)	(216,685)	
Charlho											268,242	(38,320)		
Foster-Glocester	1,186	243	10,633,676	871,495	11,505,171	11,505,171	24.1%	53.8%	41.7%	\$4,795,911	5,001,610	(205,699)	(29,386)	
Central Falls	2,496	2,238	22,379,136	8,026,363	30,405,499	30,405,499	94.1%	96.7%	95.4%	\$29,009,539	38,399,592	(9,390,052)	(1,341,436)	
District Total	131,116	62,183	\$1,175,586,056	\$223,012,179	\$1,398,598,235	\$1,398,598,235				\$778,974,579	\$690,342,874	\$88,631,705	\$24,410,671	
Charter School Total	6,950	4,944	62,313,700	17,731,162	80,044,862	80,044,862				63,020,530	55,148,059	7,872,470	7,997,104	
Davies ²	875	604	7,845,250	2,166,186	10,011,436	10,011,436				8,051,092	12,792,048	(4,740,956)	(564,255)	
Met School	875	613	7,845,250	2,198,463	10,043,713	10,043,713				7,245,954	11,085,049	(3,839,095)	(548,442)	
Urban Collaborative	145	145	1,300,070	520,028	1,820,098	1,820,098				1,558,649	296,703	1,261,946	374,264	
Total	139,961	68,489	\$1,254,890,326	\$245,628,017	\$1,500,518,343	\$1,500,518,343				\$858,850,803	\$769,664,734	\$89,186,069	\$31,669,342	

¹ Subject to change based on March 2014 data update.
² Reflects \$113,024 adjustment for State share of teacher retirement.
³ Adjusted for Dec. 2012 ACS data.
 Source: Rhode Island Department of Education

CHARTER SCHOOL FUNDING

Under the formula implemented in FY2012, the funding mechanism for charter schools changed significantly. The State’s share of charter school funding is based on the same formula used for school districts, and the funds calculated pursuant to the foundation formula are paid directly to the charter school. Consequently, upon full transition of the formula, the State will pay the same amount for a student whether the student is in the district school or a charter school.

The local share of funding to charter schools is the local per-pupil cost, calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM. The change in local tuition is scheduled to phase in over five years. Local payments will be made to the charter school on a quarterly basis and the sending district can charge for the transportation costs of the students attending the charter school. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

In FY2015, local school districts are estimated to pay \$34.3 million in tuition to a total of 22 charter schools: an estimate that may change as the data is updated (see table on the following page).

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district. The State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the examples below for further clarification of the charter school formula used in FY2011.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM (the same as the charter school tuition). Local payments are made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

In FY2015, local school districts are estimated to pay \$7.6 million in state school tuition: an estimate that may change as the data is updated.

Estimated Local Tuition Payments to Charter Schools¹

LEA	FY2014 (Year 3)			FY2015 (Year 4)			Change from FY2014	
	Projected Enrollment	Per Pupil Tuition	Total Tuition	Projected Enrollment	Per Pupil Tuition	Total Tuition	Tuition Per Pupil	Total Tuition
Barrington	3	\$10,274	\$30,822	3	\$11,272	\$33,816	\$998	\$2,994
Burrillville	17	5,112	86,904	17	5,594	95,098	482	8,194
Charlestown	106	-	-	104	10,649	1,107,496	10,649	1,107,496
Coventry	86	6,885	592,110	79	7,757	612,803	872	20,693
Cranston	304	7,388	2,245,952	241	8,040	1,937,640	652	(308,312)
Cumberland	350	6,585	2,304,750	401	6,973	2,796,173	388	491,423
East Greenwich	7	11,441	80,087	6	12,195	73,170	754	(6,917)
East Providence	39	6,803	265,317	57	7,706	439,242	903	173,925
Foster	2	11,612	23,224	1	11,206	11,206	(406)	(12,018)
Glocester	-	-	-	-	-	-	-	-
Hopkinton	6	-	-	4	10,649	42,596	10,649	-
Jamestown	8	14,131	113,048	4	15,342	61,368	1,211	(51,680)
Johnston	40	10,368	414,720	45	11,169	502,605	801	87,885
Lincoln	143	10,223	1,461,889	168	10,881	1,828,008	658	366,119
Little Compton	-	-	-	-	-	-	-	-
Middletown	1	9,201	9,201	1	9,398	9,398	197	197
Narragansett	31	14,440	447,640	27	15,414	416,178	974	(31,462)
Newport	-	-	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-	-	-
North Kingstown	70	9,702	679,140	87	10,205	887,835	503	208,695
North Providence	63	7,975	502,425	55	8,638	475,090	663	(27,335)
North Smithfield	22	7,379	162,338	20	8,725	174,500	1,346	12,162
Pawtucket	781	2,729	2,131,349	866	2,704	2,341,664	(25)	210,315
Portsmouth	-	-	-	-	-	-	-	-
Providence	2,716	3,995	10,850,420	3,224	4,242	13,676,208	247	2,825,788
Richmond	6	-	-	8	10,649	85,192	10,649	85,192
Scituate	13	9,228	119,964	13	10,048	130,624	820	10,660
Smithfield	3	10,183	30,549	7	10,807	75,649	624	45,100
South Kingstown	107	12,233	1,308,931	115	12,749	1,466,135	516	157,204
Tiverton	-	-	-	-	-	-	-	-
Warwick	96	10,654	1,022,784	69	11,514	794,466	860	(228,318)
Westerly	40	13,141	525,640	45	13,127	590,715	(14)	65,075
West Warwick	13	6,785	88,205	21	7,605	159,705	820	71,500
Woonsocket	82	1,983	162,606	91	2,101	191,191	118	28,585
Bristol-Warren	4	9,155	36,620	3	9,375	28,125	220	(8,495)
Exeter-West Greenwich	50	11,208	560,400	39	12,014	468,546	806	(91,854)
Chariho	118	10,733	1,266,494	-	-	-	(10,733)	(1,266,494)
Foster-Glocester	7	7,740	54,180	3	9,833	29,499	2,093	(24,681)
Central Falls ²	1,095	2,283	2,499,885	1,126	2,488	2,801,488	205	301,603
Total	6,311		\$30,077,594	6,950		\$34,343,429		\$4,223,239

¹ Assumes 5-year phase in. Calculated using FY2012 local property tax contribution per total district RADM (includes charter and state school

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions,

Source: Rhode Island Department of Education

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LEA	Estimated Local Tuition Payments to State Schools ¹						Change from FY2014	
	FY2014 (Year 3)			FY2015 (Year 4)			Per Pupil Tuition	Total Tuition
	FY2014 Projected	Per Pupil Tuition	Total Tuition	FY2015 Projected	Per Pupil Tuition	Total Tuition		
Barrington	1	\$7,046	\$7,046	3	\$9,658	\$28,974	\$2,612	\$21,928
Burrillville	7	3,557	24,899	8	4,816	38,528	1,259	13,629
Charlestown	-	-	-	6	8,697	52,182	8,697	52,182
Coventry	-	4,887	-	4	6,758	27,032	1,871	27,032
Cranston	22	5,159	113,498	27	6,926	187,002	1,767	73,504
Cumberland	13	4,495	58,435	17	5,928	100,776	1,433	42,341
East Greenwich	5	7,695	38,475	3	10,321	30,963	2,626	(7,512)
East Providence	26	4,763	123,838	26	6,686	173,836	1,923	49,998
Foster	-	-	-	-	-	-	-	-
Glocester	-	-	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-	-	-
Jamestown	10	9,615	96,150	6	13,084	78,504	3,469	(17,646)
Johnston	22	7,220	158,840	18	9,596	172,728	2,376	13,888
Lincoln	53	6,965	369,145	53	9,251	490,303	2,286	121,158
Little Compton	2	8,963	17,926	2	13,639	27,278	4,676	9,352
Middletown	29	5,428	157,412	23	7,511	172,753	2,083	15,341
Narragansett	1	9,694	9,694	3	13,041	39,123	3,347	29,429
Newport	38	6,665	253,270	42	11,200	470,400	4,535	217,130
New Shoreham	-	-	-	-	-	-	-	-
North Kingstown	8	6,278	50,224	8	8,493	67,944	2,215	17,720
North Providence	86	5,298	455,628	90	7,300	657,000	2,002	201,372
North Smithfield	3	5,132	15,396	1	7,602	7,602	2,470	(7,794)
Pawtucket	526	1,777	934,702	535	2,229	1,192,515	452	257,813
Portsmouth	15	6,251	93,765	13	9,164	119,132	2,913	25,367
Providence	530	3,026	1,603,780	524	3,758	1,969,192	732	365,412
Richmond	-	-	-	2	8,697	17,394	8,697	17,394
Scituate	1	6,067	6,067	2	8,468	16,936	2,401	10,869
Smithfield	21	6,780	142,380	17	9,105	154,785	2,325	12,405
South Kingstown	8	7,966	63,728	14	10,616	148,624	2,650	84,896
Tiverton	15	6,571	98,565	17	11,342	192,814	4,771	94,249
Warwick	19	7,212	137,028	17	9,793	166,481	2,581	29,453
Westerly	1	8,825	8,825	-	-	-	(8,825)	(8,825)
West Warwick	6	4,774	28,644	9	6,600	59,400	1,826	30,756
Woonsocket	54	1,294	69,876	41	1,757	72,037	463	2,161
Bristol-Warren	25	5,087	127,175	28	7,341	205,548	2,254	78,373
Exeter-West Greenwich	2	7,310	14,620	2	10,066	20,132	2,756	5,512
Chariho	9	6,830	61,470	-	-	-	(6,830)	(61,470)
Foster-Glocester	1	5,464	5,464	-	-	-	(5,464)	(5,464)
Central Falls ²	199	1,981	394,219	189	2,336	441,504	355	47,285
Total	1,749		\$5,740,184	1,750		\$7,599,422		\$1,859,238

¹ Assumes 5-year phase in. Calculated using FY2012 local property tax contribution per total district RADM (includes charter and state school

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions, debt, and other 2012 Uniform Chart of Accounts data.

Source: Rhode Island Department of Education

NON-FORMULA PROVISIONS

Group Homes: The Act maintains the current funding for group homes as a categorical grant program, and provides \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which receive \$22,000 per bed. The Governor's FY2015 budget includes \$6.1 million to fund group home beds. This is \$1.0 million less than the FY2014 Budget as Enacted, and represents a decrease of 19 beds (4.1 percent) system wide. This reduction also includes a decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. The Governor believes this adjustment is best shown in the group home aid category where it will be easier to identify, rather than in the formula calculator. This is a new adjustment although there has not been any change to current law.

LEA	FY2014		FY2015 Governor		Change from Enacted		Total Change	FY2015 Governor Total Aid
	Enacted	Revised	Aid based on bed count	Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		
Burrillville	\$330,000	\$330,000	\$300,000	(2)	(\$30,000)	(\$33,639)	(\$63,639)	\$266,361
Coventry	120,000	120,000	120,000	-	-	(12,117)	(12,117)	107,883
Cranston	60,000	60,000	60,000	-	-	(6,818)	(6,818)	53,182
East Providence	636,000	636,000	636,000	-	-	(60,725)	(60,725)	575,275
Johnston	120,000	120,000	-	(8)	(120,000)	-	(120,000)	-
Lincoln	135,000	135,000	135,000	-	-	(11,174)	(11,174)	123,826
Middletown	420,000	420,000	390,000	(2)	(30,000)	(15,344)	(45,344)	374,656
Newport	270,000	270,000	270,000	-	-	(15,086)	(15,086)	254,914
North Providence	240,000	240,000	240,000	-	-	(28,181)	(28,181)	211,819
North Smithfield	120,000	120,000	120,000	-	-	(9,022)	(9,022)	110,978
Pawtucket	735,000	735,000	735,000	-	-	(128,146)	(128,146)	606,854
Portsmouth	555,000	555,000	555,000	-	-	(7,524)	(7,524)	547,476
Providence	2,055,000	2,055,000	1,890,000	(11)	(165,000)	(348,093)	(513,093)	1,541,907
Smithfield	240,000	240,000	240,000	-	-	(6,247)	(6,247)	233,753
South Kingstown	315,000	315,000	315,000	-	-	(6,966)	(6,966)	308,034
Warwick	330,000	330,000	330,000	-	-	(28,530)	(28,530)	301,470
Woonsocket	120,000	120,000	120,000	-	-	(21,130)	(21,130)	98,870
Bristol-Warren	120,000	120,000	120,000	-	-	(5,267)	(5,267)	114,733
Exeter-West Greenwich ¹	210,000	270,000	270,000	4	60,000	(8,758)	51,242	261,242
Total	\$7,131,000	\$7,191,000	\$6,846,000	(19)	(\$285,000)	(\$752,767)	(\$1,037,767)	\$6,093,233

¹ The 4 bed increase was reported in the December 31, 2013, DCYF Group Home Report; and consequently, the \$60,000 increase in Group Home Aid will be applied to the FY2014 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

Full-Day Kindergarten Projected Aid: The Governor includes \$1.4 million in formula aid for districts that may convert to full-day kindergarten in FY2015. The Kindergarten Accessibility Act requires that beginning in school year 2014-2015 districts converting from a half-day to a full-day program are credited on a full-time basis in the RADM for the funding formula in the first year of enrollment. The aid will be distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations RIGL 16-99- 4, and will be updated to reflect the new March enrollment data and FY2015 share ratios.

Categorical Programs: The Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Governor recommends funding all the categoricals except the Regional Bonus since no new regional districts have been formed and the three years of funding for existing regional districts has ended.

Transportation: The Act provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$4.4 million in FY2015, an increase of \$1.1 million over the FY2014 Budget as Enacted.

FY2015 Governor's Recommended Budget		
Categorical	Change from	Total
	Enacted	Funding
Transportation	\$1.1	\$4.4
High-Cost Special Education	0.5	1.5
Career & Tech. Schools	0.5	3.5
Early Childhood	1.0	3.0
Central Falls Stabilization Fund	1.8	1.8
Regionalization Bonus	-	-
Total	\$4.9	\$14.1

\$ in millions.

Totals may vary due to rounding.

High-Cost Special Education: The Act includes a program for high-cost special education students. The program requires the state to reimburse the district costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (currently \$62,760 for FY2015). While the distribution method for this category has not been defined, the program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$1.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.

Career and Technical Education: The Act provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends funding this category at \$3.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.

Early Childhood Education: The Act includes a program for early childhood education programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor recommends funding this category at \$3.0 million in FY2015, an increase of \$1.0 million over the FY2014 Budget as Enacted.

Central Falls Stabilization: Central Falls is currently 100.0 percent state funded, but the formula assumes that the district will increase its local school support. To ease the transition, this program provides additional aid to Central Falls to partially offset this increased obligation. The statute requires the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, be shared between the State and Central Falls. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds; however, the portion of each share was not defined. The 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow that the State's share may be provided through a reallocation of current appropriations to the Central Falls school district. The Governor recommends funding this category at \$1.8 million in FY2015. This represents the first of year of funding for this category.

Regionalization Bonus: The Act includes a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends no funding in FY2015, the fourth year of funding for the regionalized districts, and no new regional districts have been formed. This recommendation represents level funding from the FY2014 Budget as Enacted.

The table on the following page shows the Governor's proposed education aid including the formula distribution, full-day kindergarten projected aid, categorical aid, and group home aid.

Governor's Recommended FY2015 Education Aid¹

Districts	FY2014 Enacted (excludes group home and categorical)	FY2015 (Year 4) formula Change	Full-Day Kindergarten Projected Formula Aid ²	Transportation	High-cost Special Education	Group Home (due to RIGL 16-7- 22(1)(ii)) ³	Group Home (due to bed count) ³	FY2015 Governor Aid
Barrington	\$3,918,965	\$620,052	\$74,174	\$54,080	\$41,640	\$0	\$0	\$4,708,911
Burrillville	12,712,387	148,531	-	15,863	9,805	(33,639)	300,000	13,152,946
Charlestown	1,706,995	4,611	-	-	-	-	-	1,711,607
Coventry	20,180,158	743,065	268,137	20,271	35,832	(12,117)	120,000	21,355,347
Cranston	42,922,101	3,607,054	71,066	392,751	145,164	(6,818)	60,000	47,191,318
Cumberland	14,621,350	996,889	-	92,043	49,748	-	-	15,760,030
East Greenwich	2,266,168	115,393	40,392	32,442	43,270	-	-	2,497,665
East Providence	27,403,793	1,336,921	-	10,055	121,969	(60,725)	636,000	29,448,013
Foster	1,189,070	(11,412)	-	8,261	6,445	-	-	1,192,363
Glocester	2,683,922	(72,014)	30,881	13,591	9,975	-	-	2,666,356
Hopkinton	5,515,535	98,926	-	-	-	-	-	5,614,461
Jamestown	359,449	42,014	-	-	7,150	-	-	408,613
Johnston	11,636,085	1,180,285	156,677	262,535	27,076	-	-	13,262,658
Lincoln	8,822,047	849,170	-	6,395	61,873	(11,174)	135,000	9,863,311
Little Compton	365,270	39,672	-	-	-	-	-	404,941
Middletown	8,678,862	(101,294)	-	-	14,206	(15,344)	390,000	8,966,430
Narragansett	1,799,609	211,289	-	-	6,805	-	-	2,017,703
Newport	10,371,310	56,127	-	-	-	(15,086)	270,000	10,682,350
New Shoreham	75,366	5,923	-	-	8,795	-	-	90,084
North Kingstown	10,791,146	(76,755)	-	-	11,776	-	-	10,726,167
North Providence	14,744,604	1,334,306	-	127,118	63,703	(28,181)	240,000	16,481,550
North Smithfield	5,244,804	209,558	-	23,212	11,538	(9,022)	120,000	5,600,089
Pawtucket	70,719,232	3,531,822	-	86,439	46,535	(128,146)	735,000	74,990,882
Portsmouth	4,570,144	(275,536)	14,265	-	31,278	(7,524)	555,000	4,887,628
Providence	203,678,050	7,962,053	-	224,871	327,522	(348,093)	1,890,000	213,734,403
Richmond	5,335,436	(140,011)	-	-	-	-	-	5,195,425
Scituate	3,685,657	227,917	-	41,239	5,478	-	-	3,960,291
Smithfield	4,684,041	36,191	-	56,820	25,730	(6,247)	240,000	5,036,534
South Kingstown	7,785,495	(261,042)	-	110,627	24,518	(6,966)	315,000	7,967,631
Tiverton	5,769,004	57,347	-	-	27,501	-	-	5,853,852
Warwick	34,762,103	1,131,983	-	7,525	98,084	(28,530)	330,000	36,301,165
Westerly	7,122,961	520,294	-	-	84,105	-	-	7,727,359
West Warwick	20,265,989	620,842	-	49,384	4,224	-	-	20,940,439
Woonsocket	47,972,469	1,782,223	670,193	21,864	964	(21,130)	120,000	50,546,583
Bristol-Warren	16,455,588	(495,898)	-	634,659	54,406	(5,267)	120,000	16,763,488
Exeter-West Greenwich	5,858,269	(216,685)	36,027	694,294	39,325	(8,758)	270,000	6,672,473
Chariho	268,242	(38,320)	-	1,064,037	22,486	-	-	1,316,444
Foster-Glocester	5,001,610	(29,386)	-	240,810	16,521	-	-	5,229,555
Central Falls ⁴	38,399,592	(1,341,436)	-	60,173	14,248	-	-	37,132,576
District Total	\$690,342,874	\$24,410,671	\$1,361,812	\$4,351,360	\$1,499,696	(\$752,767)	\$6,846,000	\$728,059,643
Charter School Total	55,148,059	7,997,104	-	-	305	-	-	63,145,468
Davies ⁵	12,792,048	(564,255)	-	-	-	-	-	12,227,793
Met School	11,085,049	(548,442)	-	-	-	-	-	10,536,607
Urban Collaborative	296,703	374,264	-	-	-	-	-	670,967
Total	\$769,664,734	\$31,669,342	\$1,361,812	\$4,351,360	\$1,500,000	(\$752,767)	\$6,846,000	\$814,640,479

¹ Subject to change based on March enrollment update.

² Estimate assumes communities implement full-day kindergarten program in FY2015. The estimate will be updated to reflect March enrollment data, FY2015 share ratios, and implemented programs.

³ Updated by RIDE on 1.28.2014 to reflect DCYF Group Home Report dated 12.31.2014 including reclassification of Groden Center. Amendment expected from

⁴ Does not include \$1.8million for the Central Falls Stabilization Fund.

⁵ Reflects \$113,024 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

The table on the following page shows the difference in education aid as proposed by the Governor relative to the FY2014 Budget as Enacted.

FY2015 Governor's Recommendation versus FY2014 Budget as Enacted

LEA	FY2014 Enacted (including group home and categoricals)	FY2015 Governor's Recommended (including group home and categoricals)	Change
Barrington	\$3,971,797	\$4,708,911	\$737,114
Burrillville	13,063,243	13,152,946	89,704
Charlestown	1,706,995	1,711,607	4,611
Coventry	20,348,442	21,355,347	1,006,905
Cranston	43,347,609	47,191,318	3,843,709
Cumberland	14,705,457	15,760,030	1,054,574
East Greenwich	2,323,568	2,497,665	174,097
East Providence	28,082,665	29,448,013	1,365,348
Foster	1,204,783	1,192,363	(12,419)
Glocester	2,705,444	2,666,356	(39,088)
Hopkinton	5,515,535	5,614,461	98,926
Jamestown	361,936	408,613	46,677
Johnston	11,997,593	13,262,658	1,265,065
Lincoln	8,990,606	9,863,311	872,705
Little Compton	365,270	404,941	39,672
Middletown	9,109,276	8,966,430	(142,846)
Narragansett	1,805,079	2,017,703	212,624
Newport	10,656,332	10,682,350	26,018
New Shoreham	81,762	90,084	8,322
North Kingstown	10,796,604	10,726,167	(70,436)
North Providence	15,094,386	16,481,550	1,387,164
North Smithfield	5,400,054	5,600,089	200,036
Pawtucket	71,459,692	74,990,882	3,531,190
Portsmouth	5,128,661	4,887,628	(241,034)
Providence	206,273,348	213,734,403	7,461,055
Richmond	5,335,436	5,195,425	(140,011)
Scituate	3,720,471	3,960,291	239,820
Smithfield	4,985,793	5,036,534	50,741
South Kingstown	8,154,487	7,967,631	(186,856)
Tiverton	5,775,390	5,853,852	78,462
Warwick	35,164,250	36,301,165	1,136,916
Westerly	7,164,219	7,727,359	563,140
West Warwick	20,309,057	20,940,439	631,382
Woonsocket	48,170,444	50,546,583	2,376,138
Bristol-Warren	17,089,869	16,763,488	(326,381)
Exeter-West Greenwich	6,579,220	6,672,473	93,253
Chariho	1,127,409	1,316,444	189,035
Foster-Glocester	5,213,357	5,229,555	16,198
Central Falls ¹	38,451,859	38,920,272	468,414
Subtotal District Aid	\$701,737,394	\$729,847,339	\$28,109,945
Charter School Total	55,148,059	63,145,468	7,997,409
Davies	12,792,048	12,227,793	(564,255)
Met School	11,085,049	10,536,607	(548,442)
Urban Collaborative	296,703	670,967	374,264
Total	\$781,059,253	\$816,428,175	\$35,368,922

¹ Includes Central Falls Stabilization Fund of \$1.8 million.

School Housing Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2014, the minimum state share is 35.0 percent and the maximum is 95.2 percent for Central Falls.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. This moratorium is scheduled to sunset on June 30, 2014; however, the Department does not expect to see a significant impact on the State's school housing aid obligations before FY2017.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015.

For FY2015, the Governor recommends \$67.9 million in school housing aid, a decrease of \$2.0 million from the FY2014 Budget as Enacted. The decrease is due to updated projections of when projects will be completed.

FY2014 Supplemental Budget

Expenditures by Fund	FY2013 Final	FY2014 Enacted	FY2014 Governor	Change from	
				Enacted	% Change
General Revenue	\$3,216.0	\$3,359.8	\$3,351.7	(\$8.0)	-0.2%
Federal Funds	2,519.8	2,717.7	2,822.8	105.1	3.9%
Restricted Receipts	198.4	255.0	279.4	24.4	9.6%
Other Funds	1,775.0	1,880.6	1,925.5	44.9	0.0
Total	\$7,709.3	\$8,213.1	\$8,379.4	\$166.4	2.0%
Expenditures by Function					
General Government	\$1,496.4	\$1,487.5	\$1,603.3	\$115.8	7.8%
Human Services	3,047.5	3,305.8	3,323.2	17.4	0.5%
Education	2,211.4	2,317.9	2,323.7	5.8	0.2%
Public Safety	473.8	520.7	538.8	18.1	3.5%
Natural Resources	72.2	120.9	112.3	(8.6)	-7.1%
Transportation	408.0	460.2	478.2	17.9	0.0
Total	\$7,709.3	\$8,213.1	\$8,379.4	\$166.4	2.0%
FTE Authorization	15,076.4	15,118.3	15,100.3	(18.0)	-0.1%

\$ millions

The Governor's Supplemental Budget for FY2014 totals \$8,379.4 million, of which \$3,351.7 million (38.2 percent) is general revenue. The Governor's recommends \$8.0 million less in general revenue expenditures, as compared to the FY2014 Budget as Enacted. The surpluses are largely in Education, General Government, and Public Safety areas, offset by \$3.8 million in additional general revenue spending (\$4.3 million in all fund sources) in DHS to support the UHIP project.

In terms of revenue changes, FY2014 opened with \$10.7 million in additional surplus funds above the budgeted \$93.4 million. The November 2013 Revenue Estimating Conference identified \$45.6 million in additional anticipated collections for FY2014. Revenue for FY2014 is also increased by the proposed transfer of \$3.3 million in issued bond premiums from the RICAP fund to general revenues.

The FY2014 Budget as Enacted contained a free surplus of \$428,220 in general revenues. After incorporating adopted revenue and caseload estimates from the November 2013 Revenue and Caseload Estimating Conferences, adjusting for closing balances from FY2013, accounting for current year spending patterns by state departments and agencies, the first quarter financial report for FY2013 from the State, and other changes recommended by the Governor, the free surplus for FY2014 increases from \$129,984 to \$68.5 million.

FY2014 Governor's Recommended General Revenue Changes	
Expenditures	Change to Enacted
Reappropriations from FY2013	\$7.1
Caseload Conference Changes	0.1
Other Expenditures Changes (department-wide)	(15.2)
Total	(\$8.0)
Revenues	
Additional Opening Surplus Funds	\$10.7
Revenue Conference Changes	45.6
Bond Premium Transfer	3.3
Other Revenue Changes (department -wide)	0.9
Total	\$60.5
FY2014 Enacted Free Surplus	\$0.4
Additional Free Surplus	68.5
FY2014 Revised Free Surplus	\$69.0

\$ in millions

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2014 Budget as Enacted, organized by department.

DEPARTMENT OF ADMINISTRATION***Commerce RI – I-195 Redevelopment Commission*****\$674,679**

The Governor includes a reappropriation of \$674,679 in general revenue for the I-195 Redevelopment Commission. The FY2013 Budget as Enacted included \$3.9 million in general revenue, of which \$900,000 was appropriated to fund administrative, legal, and engineering costs to be incurred by the Commission and \$3.0 million to cover a shortfall in available bond funds authorized to complete the land transfer of the former federal I-195 highway land. The Commission did not expend the full appropriation leaving an unexpended balance of \$674,679. The reappropriated amount will be used for administrative functions.

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

The Governor adds \$500,000 in the FY2014 Revised Budget to fund an Employee Classification and an Employee Compensation Study. The study was one of the recommendations received from the recently completed personnel study performed by the Segal Company. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The goal of the Employee Compensation Study is to review the State's current compensation system and to develop appropriate method to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions. A Request for Proposals to begin the study was issued in October 2013 and a bid opening was held on December 13, 2013.

Office of Digital Excellence – “Code for America”**\$180,000**

The Governor includes \$180,000 in general revenue for the Office of Digital Excellence to obtain a consultant(s) to develop a knowledge portal for K-12 education as part of the “Code for America” initiative. The Department will obtain an equal amount from the private sector to match these funds. The purpose of the initiative is to develop a platform that will connect students, teachers, and parents to education experts in the public and private sectors, to disseminate lessons, videos, and online demonstrations.

HealthSource RI (federal funds)

For FY2014, the Governor adds \$24.1 million for HealthSource RI, Rhode Island's health insurance exchange, due to increased federal funding and to reflect project delays that have pushed funding from FY2013 to FY2014.

DEPARTMENT OF REVENUE***Commissions and Prize Payments (other funds)*****\$89.8 million**

The Governor increases other funds by \$89.8 million for Commissions and Prize payments that were not included in the FY2014 Budget as Enacted. The Office of Revenue Analysis estimates \$67.2 million for commissions and prize expenditures at Twin River and Newport Grand for FY2014 based on the results of the November 2013 Revenue Estimating Conference. The Governor recommends an additional \$22.5 million in other funds for traditional Lottery operations and prize payments.

Problem Gambling Program (other funds)**\$100,000**

The Governor adds \$100,000 for programs for compulsive and problem gamblers. The 2013 General Assembly passed legislation requiring Twin River and Newport Grand to reimburse the State annually, an amount no less than \$100,000, for compulsive and problem gambling programs established by the Division. The program will offer telephone helpline services through an agreement with the United Way

amount no less than \$100,000, for compulsive and problem gambling programs established by the Division. The program will offer telephone helpline services through an agreement with the United Way of Rhode Island. The Lottery has been voluntarily offering this service since 1998. This amount is also included in the Governor's FY2015 Budget recommendation.

OFFICE OF HEALTH AND HUMAN SERVICES

Affordable Care Act Transition Fund

\$1.0 million

The Governor reduces the Affordable Care Act transition fund from \$2.0 million to \$1.0 million. This fund was established to minimize any potential service gaps experienced by those transitioning to Medicaid expansion or to the Exchange.

DEPARTMENT OF HUMAN SERVICES

Unified Health Infrastructure Project

\$3.7 million

The revised budget adds \$3.7 million in general revenue for the Department's portion of technology costs associated with the United Health Infrastructure Project (UHIP). A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, it will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface.

Veterans' Home – Personnel Changes

(\$1.1 million)

The Governor includes \$1.5 million in additional turnover savings at the Veterans' Home based upon current staffing trends. These savings are offset by \$348,000 for additional overtime as overtime costs were underfunded in FY2013 and FY2014 as the Home unable to achieve savings from planned efficiencies.

Veterans' Home – New Construction (other funds)

\$5.3 million

The Governor includes \$5.3 million in general obligation bond funding to begin construction of a new Veterans' Home complex, which is part of a \$94.0 million voter-approved bond issue. As of January 31, 2014, \$6.0 million of the bonds have been issued.

BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

RICLAS Group Homes and Eleanor Slater Hospital – Overtime

\$1.3 million

The Governor provides an additional \$1.3 million for overtime at RICLAS group homes and Eleanor Slater Hospital.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

School Housing Aid

(\$2.3 million)

Based upon estimates provided by the Department, the Governor reduces school housing aid by \$2.3 million as compared to the FY2014 Budget as Enacted due to projects not being completed on schedule.

Teacher Retirement

(\$799,316)

The Governor decreases teacher retirement by \$799,316 due to a lower-than-projected teacher wage base in FY2013. The State pays 40.0 percent of the cost of the employer's share of required pension contributions. The FY2014 Budget as Enacted employer contribution was based on actual FY2012 wages and projected FY2013 wages, as reported by the Retirement System, and then inflated by a 2.8 percent growth rate. The revised estimate is based on actual FY2013 wages, adjusted with a 2.0 percent growth rate. The growth rate from FY2012 to FY2013 was 1.5 percent.

DEPARTMENT OF ATTORNEY GENERAL***Google Forfeiture Funds (restricted receipts)*****\$11.0 million**

The Governor recommends \$15.0 million in Google forfeiture funds in FY2014 for IT projects and acquisition of office space, an increase of \$11.0 million over the FY2014 Budget as Enacted. The FY2014 enacted funds were to support IT projects, and the Governor includes additional funding for building acquisitions and repairs and computer equipment.

DEPARTMENT OF CORRECTIONS***Corrections Officer Training*****(\$749,522)**

The Governor's recommendation eliminates funding for the FY2014 Correctional Officer training class due to concerns regarding the hiring process expressed by the U.S. Department of Justice.

Analyst's Note: On February 10, 2014, the DOJ announced that a lawsuit has been filed alleging that the Department's recruiting practices adversely affect minority candidates. As part of the hiring process for entry level Correctional Officers, DOC screens applicants using a written and video examination. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT***Seasonal Recreational Positions*****\$53,769**

Additional funds are needed for Seasonal Recreation positions due to the increase in minimum wage from \$7.75 per hour to \$8.00 per hour which takes place January 1, 2014.

Operating Savings**(\$264,277)**

The Governor decreases operating costs to reflect primarily savings in property taxes, due to the recent revaluation and freeze in the Providences commercial property tax rate (\$65,160), and in operating savings, such as maintenance costs, landscaping supplies and fuel and electricity costs to bring expenditures in line with past two-year actuals (\$147,474).

Statewide Adjustments**(\$157,940)**

The Governor includes statewide savings in medical health insurance for the following changes: eliminates coverage for former spouses of state employees; shifts post-65 retirees to a Medicare for health insurance for the second half of the year; and a 3.85 percent reduction in medical insurance costs.

Other Savings**(\$118,048)**

The Governor decreases general revenues to reductions in Special Projects (\$40,500) and higher vacancy rates (\$72,548).

DEPARTMENT OF TRANSPORTATION***Highway Projects (federal funds)*****\$37.4 million**

The Governor increases funding by \$37.4 million due to revisions in projected expenditures in federal Highway Projects funds.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2015

Article 1 outlines the proposed appropriation amounts from all fund sources for FY2015. In most cases, the appropriations are by fund source at the program level in each department or agency. The article also includes the FTE position authorizations for each department or agency. Other sections of the article outline the use of the Governor's contingency funds; makes out-year appropriation changes for projects funded with Rhode Island Capital Plan Funds; sets expenditure limits for internal service funds; and provides for necessary disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also designates the airport impact aid formula; freezes tuition charges and student financial aid at the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island; and provides that a portion of Rhode Island Higher Education Assistance Authority (RIHEAA) guaranty agency's reserve funds be used for scholarships and grants. The Governor also continues the requirement that Rhode Island Housing provide resources to support the Neighborhood Opportunities Program. An amount, however, is not designated.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts and other funds for the fiscal year ending June 30, 2015. The amounts identified for federal funds, restricted receipts and other funds shall be made available pursuant to section 35-4-22 and Chapter 41 of Title 42 of the Rhode Island General Laws.

	FY2013	FY2014	FY2015	Change from	%
	Final	Enacted	Governor	Enacted	Change
General Revenue	\$3,216.0	\$3,359.8	\$3,456.1	\$96.3	2.9%
Federal Funds	2,519.8	2,717.7	2,878.4	160.7	5.9%
Restricted Receipts	198.4	255.0	258.9	3.9	1.5%
Other Funds	1,775.0	1,880.6	1,950.6	70.0	3.7%
Total	\$7,709.3	\$8,213.1	\$8,544.0	\$330.9	4.0%
FTE Authorization	15,076.4	15,118.3	15,100.3	(18.0)	-0.1%

\$ in millions.

In addition, Article 1 provides for the annual appropriation of the Contingency Fund, Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; allows the appropriation of Lottery Division funds for award winnings during FY2015; and transfers \$1.5 million within RIHEAA from its guaranty agency reserve fund to the state scholarship program, which will be used to replace a reduction in available revenues from the College Tuition Savings Program.

Article 1 authorizes the State Controller to establish 12 specific internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article.

Internal Service Account	FY2014 Enacted¹	FY2015 Governor
State Assessed Fringe Benefit	\$33,644,675	\$37,123,794
Administration Central Utilities	20,253,728	14,244,902
State Central Mail	5,336,633	5,617,173
State Telecommunications	4,084,660	4,080,029
State Automotive Fleet	13,668,556	13,733,063
Surplus Property	2,500	2,500
Health Insurance	250,127,757	250,127,757
Other Post-Employment Benefits	64,572,028	63,934,483
Capital Police	872,233	1,060,301
Corrections Central Distribution Center	6,701,947	6,739,558
Correctional Industries	8,341,086	7,704,793
Secretary of State Records Center	869,457	882,436
Total	\$408,475,260	\$405,250,789

¹ FY2014 figures included for comparison purposes. They are not included in the FY2015 Article 1, Section 5.

NEIGHBORHOOD OPPORTUNITIES PROGRAM

Article 1 requires the Rhode Island Housing & Mortgage Finance Corporation (RIHMFC) to provide an unspecified appropriation in FY2015 to support the Neighborhood Opportunities Program (NOP). The article requires RIHMFC to issue a report detailing the funding provided to NOP as well as information on the number of housing units. This report is to be provided to the Director of the Department of Administration, the Chair of the Housing Resources Commission, the Chairs of the House and Senate Finance Committees, and to the State Budget Officer.

TUITION AND FINANCIAL AID FREEZE

The Governor freezes tuition for both in-state and out-of-state students at all three public institutions of higher education (CCRI, RIC, and URI), and adds \$10.0 million to support this proposal. This article also requires the institutions to maintain financial aid at current levels. If enacted, this would be the second year in a row that tuition has been frozen at all three institutions of higher education.

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Governor recommends a net decrease of 21.3 FTE positions from the FY2014 Budget as Enacted. Following are the changes included in the Governor's proposal:

FTE Position Authorizations

Function	FY2014 Enacted	FY2015 Governor	Change from Enacted
General Government	2,276.7	2,305.7	29.0
Human Services	3,747.8	3,744.0	(3.8)
Education	3,883.4	4,001.2	117.8
Public Safety	3,233.6	3,222.6	(11.0)
Natural Resources	428.0	428.0	-
Transportation	772.6	752.6	(20.0)
Subtotal	14,342.1	14,454.1	15.1
Higher Education Sponsored Research	776.2	642.9	(133.3)
Total FTE Positions	15,118.3	15,097.0	(21.3)

Major FTE changes include:

- **An increase of 18.0 FTE positions in FY2015 in the Department of Labor and Training:** This reflects an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance program, an increase 7.0 FTE positions for the Unemployment Insurance Call Center, an increase of 3.0 FTE positions to administer the Back to Work RI program, and increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.
- **An increase of 7.0 FTE positions in the Department of Revenue:** The Governor adds 7.0 FTE Revenue Officer 1 positions in the Division of Taxation to increase enforcement activities. Each of these positions is anticipated to generate approximately \$900,000 per year in collections from past due personal income taxes, business taxes, sales and excise taxes, and fines and penalties.
- **A decrease of 16.5 FTE positions in the Department of Elementary and Secondary Education:** The Governor eliminates 16.5 FTE federally-funded positions due to the end of the federal Race to the Top grant award.
- **A shift of 132.3 FTE positions in Higher Education:** The Governor shifts 132.3 FTE positions from federal-sponsored research to non-sponsored positions at URI (91.0 FTE positions) and CCRI (41.3 FTE positions), restructuring higher education personnel. Funding will shift from federal or private funds to either general revenue or university and college funds when filled, however, these positions are currently vacant.
- **A decrease of 11.0 FTE positions in the Department of Public Safety:** The Governor eliminates 1.0 FTE General Counsel position and 1.0 Director of the Rhode Island Municipal Police Training Academy, which were unfunded in the enacted budget. The Governor also eliminates 9.0 vacant FTE positions in the Division of State Police.
- **A decrease of 20.0 FTE positions in FY2015 in the Department of Transportation:** The Governor recommends the following FTE reductions due to long-term vacancies and to correspond to actual filled positions.

DOT FTE Position Reductions	Change from Enacted
Engineering Technician	(13.0)
Highway Maintenance Operator	(3.0)
Senior Real Estate Specialist	(1.0)
Senior Auditor	(1.0)
Civil Engineer	(1.0)
Landscape Maintenance Technician	(1.0)
Total	(20.0)

CAPITAL APPROPRIATIONS

Article 1 appropriates the following amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018. These amounts supersede appropriations provided for FY2015 within the FY2014 Budget as Enacted.

Agency	Project	FY2014	FY2015	FY2016
BHDDH	Hospital Consolidation	\$30,645,820	\$10,590,850	\$5,780,000
DOA	State House Renovations	3,000,000	4,000,000	2,400,000
DOA	Pastore Center Building Demolition	1,025,000	975,000	1,200,000
Higher Education	Asset Protection - CCRI	2,184,100	2,232,100	2,299,063
Higher Education	Asset Protection - RIC	3,080,400	3,357,700	3,458,431
Higher Education	Asset Protection - URI	5,482,900	7,856,000	8,030,000
DOC	Asset Protection	4,020,000	3,000,000	3,000,000
Judiciary	Asset Protection	850,000	875,000	950,000
Military Staff	Asset Protection	1,225,000	179,250	342,500
DEM	Dam Repairs	750,000	1,000,000	2,000,000
DEM	Recreation Facility Improvements	500,000	500,000	500,000
DOT	Highway Improvements Program	23,200,000	23,200,000	23,200,000
Total		\$75,963,220	\$57,765,900	\$53,159,994

Any unexpended or unencumbered funds from the RICAP Fund project appropriations may be reappropriated to FY2015 and made available for the same purpose.

Article 2: Relating to Municipal Incentive Aid

This article amends the Municipal Incentive Aid Program, which provides additional state aid to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. Administered and managed by the Division of Municipal Finance within the Department of Revenue (DOR), this article appropriates \$5.0 million in both FY2015 and FY2016 to eligible communities. Current law requires \$10.0 million in each year.

FISCAL IMPACT

The State distributes the Municipal Incentive Aid in March of each year to eligible communities based on the most recent population estimate as a share of the total state population reported by the U.S. Department of Commerce, Bureau of the Census, as follows:

Distribution of Municipal Incentive Aid FY2015			
Municipality	Incentive Aid	Municipality	Incentive Aid
Barrington	\$77,873	Newport	\$116,689
Bristol	109,663	New Shoreham	4,521
Burrillville	75,643	North Kingstown	125,830
Central Falls	91,844	North Providence	152,463
Charlestown	37,260	North Smithfield	56,226
Coventry	166,126	Pawtucket	338,637
Cranston	381,765	Portsmouth	82,157
Cumberland	158,222	Providence	845,052
East Greenwich	62,403	Richmond	36,481
East Providence	224,226	Scituate	48,939
Exeter	30,874	Smithfield	101,773
Foster	21,699	South Kingstown	144,389
Glocester	46,378	Tiverton	74,510
Hopkinton	38,721	Warren	50,918
Jamestown	25,703	Warwick	394,569
Johnston	136,438	Westerly	108,439
Lincoln	100,146	West Greenwich	28,597
Little Compton	16,614	West Warwick	138,805
Middletown	76,967	Woonsocket	196,763
Narragansett	75,677	Total	\$5,000,000

If a municipality does not meet the eligibility requirements to receive an appropriation in FY2015, that municipality's appropriation will be distributed among the other eligible municipalities for that fiscal year, based on the most recent population estimate as a share of the total state population reported by the U.S. Department of Commerce, Bureau of the Census. Municipalities ineligible in FY2015 have the ability to become eligible for funding in FY2016 if the eligibility requirements are met.

In FY2014, all communities in the State are eligible for aid, with the exception of Coventry. Although the Town of Coventry submitted a Funding Improvement Plan (FIP) to the Department of Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. Therefore, the Town will not receive its Municipal Incentive Aid allocation of \$166,126 for FY2014. The Town is included for Municipal Incentive Aid funding in FY2015 shown above, but has not yet met the eligibility requirements to receive it.

Analyst's Note: In a letter to the Coventry Town Manager, dated January 15, 2014, the Director of the Department of Revenue suggested that the Department would support a unified effort to seek approval from the General Assembly to place Coventry's Municipal Incentive Aid allocation of \$166,126 in escrow pending final approval of its FIP and pending resolution of responsibility for the Coventry School Employees' Plan.

ANALYSIS AND BACKGROUND

The legislation seeks to encourage municipalities to improve the sustainability of current pension plans and reduce the unfunded liability of significantly underfunded pension plans by providing additional state aid. However, there is no statutory requirement that the additional state aid must be spent for this purpose.

Analyst's Note: Enacted in 2011, the Retirement Security Act (RIGL 45-64), established the Locally-Administered Pension Plan Study Commission and, requires funding improvement plans (FIPs) to be submitted to the commission's chairperson, not the Department of Revenue as required under RIGL 45-13/2-6; however, the Director of the Department of Revenue is the chairperson of the Locally-Administered Pension Plan Study Commission. The Act requires a FIP for locally-administered pension plans that have been determined to be in "critical status", which occurs when the plan's actuary determines that the plan's funded ratio is less than 60.0 percent at the beginning of the plan year.

Eligibility Requirements FY2015 and FY2016: For FY2015 and FY2016, municipalities will be eligible to receive Incentive Aid if they comply with at least one of the following requirements:

1. The municipality has no locally-administered pension plans.
2. The municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014.
3. The municipality has submitted a FIP, meeting the guidelines of the Locally Administered Pension Plan Study Commission to DOR for every locally-administered pension plan, and the FIP meets the guidelines of the Study Commission on Locally-Administered Pension Plans (or otherwise applicable guidelines or regulations), and the municipality has implemented the original FIP pursuant to chapter 45-65, and the FIPs are approved by the plan sponsor and the local governing body by June 1, 2014.
4. The municipality has implemented the original recommended FIP or an amended FIP within eighteen months after an actuary has certified that a locally administered plan is in critical status and the FIP is approved by the plan sponsor and the local governing body.
5. There exists a locally-administered pension plan in the municipality, but no FIP was required, and the municipality is funding 100.0 percent of its Annually Required Contribution (ARC); or, if the due date for the FIP submission or implementation is after the distribution of this municipal incentive aid.

Article 3: Relating to Restricted Receipt Accounts

This article creates two new restricted receipt accounts, the “HIV Care Grant Drug Rebates” in the Office of Health and Human Services (OHHS) and the “Donations – New Veterans’ Home Construction” account in the Department of Human Services (DHS). These accounts are exempted from the 10.0 percent indirect cost recovery provision.

The article also transfers the “Organ Transplant Fund” account, shifting \$15,000 from DHS to OHHS in FY2014 and FY2015.

Analyst’s Note: Beginning in FY2013, this account was technically transferred from DHS to OHHS along with the rest of the program. This article codifies this change in law to properly reflect the location of this appropriation.

FISCAL IMPACT

This article exempts \$3.8 million in FY2015 from the indirect cost recovery provisions, thereby reducing general revenue receipts by approximately \$382,000. The bulk of the funds associated with the HIV Care Grant Drug Rebate account not currently classified as federal funds and not subject to indirect cost recovery provisions. Once converted to a restricted receipt account, rebates will no longer be subject to the 0.05 percent assessment for single state audit fees, which totaled \$3,569 in FY2013.

There is no fiscal impact included in the budget. The “reduction” reflects what would be collected in indirect cost recoveries if the account was converted and not exempt from the surcharge.

ANALYSIS AND BACKGROUND

The HIV Care Grant Drug Rebate account is not an entirely new account and was previously classified as a federal funds account. Following discussions between the State Budget Office and the Department of Human Services, it was determined that it would be more appropriately classified as a restricted receipt account. The account is funded by rebates received for the purchase of drugs for HIV patients. Take note that rebates for other drug purchases, such as with the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, are also classified as restricted receipts.

The “Donations – New Veterans’ Home Construction” account will be used for gifts received by the Director of Human Services on behalf of the Veterans’ Home to support construction of the new facility. To date, approximately \$800 in private donations have been received by DHS. Planning for the project began in FY2013 with the completion of a feasibility study engineering and architectural work underway. Construction is anticipated to begin in FY2015 and be completed in FY2018.

Article 4: Relating to Debt Management Act Joint Resolutions

This article serves as a joint resolution for the issuance of debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act. The proposed projects include information technology improvements, the development of the Garrahy Courthouse parking garage including retail space, renovation of the Virks Building at the Pastore Government Center, and improvements by the Rhode Island Airport Corporation.

FISCAL IMPACT

This article will have no fiscal impact in either FY2014 or FY2015. The estimated debt service for the information technology improvements is \$1.3 million in FY2016 and the estimated debt service for the Virks Building project is \$578,054 in FY2016. The Budget Office projects that non-state contributions will be used towards the debt service for the Garrahy Courthouse parking garage and Rhode Island Airport Corporation projects.

ANALYSIS AND BACKGROUND

This article serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the following projects:

Debt Authorization	
Information Technology Improvements	\$30.1
Virks Building Renovation	13.0
Garrahy Courthouse Parking Project	45.0
Rhode Island Airport Corporation	60.0
Total Debt Authorization	\$148.1

\$ in millions.

Information Technology Improvements

This section authorizes \$30.1 million in Certificates of Participation (COPs), including financing costs, for 12 information technology projects. Total payments over the ten years are projected to be \$38.9 million, assuming an average interest rate of 5.0 percent.

- **Department of Administration: Time and Attendance/Payroll:** The plan authorizes \$4.0 million to establish a statewide time and attendance tracking system for all agencies for allocating staff time to various projects and accounts. The project replaces an antiquated “legacy” payroll system.
- **Department of Administration: Budget and Grants Management System:** The existing budget system that was developed in-house would be replaced with a \$2.0 million integrated budget and grants management system for use by agencies when submitting budget requests. The system would also be available for use by legislative staff when modifications to the budget are occurring in the General Assembly.
- **Department of Administration: Human Resources Information System:** Currently the Division of Human Resources (HR) relies heavily on paper-based processes. \$1.5 million is included for implementation of an integrated human resources information technology system to modernize and streamline HR processes.
- **Department of Administration: DoIT Content Management System:** The plan includes \$1.5 million for an information workflow, storage, and website publishing and application content management system.
- **Multi-Agency Electronic Permitting System:** The plan authorizes \$1.0 million to expand ePermitting activities to include multiple departments and municipal permitting entities. Currently the RI Building

Commissioner and State Fire Marshal participate in a system; it would expend to include the Department of Environmental Management, the Coastal Resources Management Council, and municipalities.

- **RI Emergency Management Agency: Emergency Notification System:** The Governor includes \$1.0 million for an emergency notification system that would communicate emergency situations to state employees, businesses, and the general public.
- **Department of Health: Electronic Birth Records:** The plan includes \$2.5 million to convert the birth records system to a web-based platform, which is required by federal standards.
- **Department of Environmental Management (DEM) - Multiple Projects:** The Governor includes \$1.3 million for various projects including upgrades to DEM's boat registration and licensing system (\$575,000), replacement of DEM's obsolete telephone system (\$175,000), new computer hardware to make DEM's enterprise permit, compliance tracking and environmental data storage system more accessible to the general public (\$300,000), and further digitalization of DEM's Bureau of Environmental Affairs records (\$200,000).
- **Department of Human Services, RI Veterans' Home: Automated Pharmacy Services:** The plan has \$150,000 for a non-retail pharmacy solution that reduces risk in medication administration and dispensing; checks for drug interactions; and streamlines administrative and billing tasks.
- **Department of Human Services: Child Support System:** The current child support enforcement system is outdated and updates are not included as part of the Unified Health Infrastructure Project (UHIP), which is an integrated eligibility determination system. The Governor includes \$7.4 million for the State share of a \$22 million modernized child support enforcement system that will integrate with UHIP.
- **Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals: Hospital Information/Patient Care Management System:** The plan includes \$3.5 million for the State share of a \$7.0 million patient management, medication administration, and electronic medical records system for the Eleanor Slater Hospital.
- **Judiciary: Case Management System:** The Judiciary would use \$4.0 million to procure an electronic case management system to better secure confidential legal information, reduce paper-based records administration and retention, and help reduce backlogged cases.

Virks Building Renovation

This section authorizes the issuance of \$13.0 million in debt through Certificates of Participation to renovate the vacant Virks Building, located on the Pastore Government Center in Cranston, into office space for the Executive Office of Health and Human Services (OHHS). The proposed work includes roof repairs, stabilization of the exterior masonry and building envelope, upgrading and repair of the utility systems, and general interior repairs that are required due the age of the structure and damage due to water penetration. The Department states that the renovated structure will provide needed office space for OHHS at the Pastore Campus. The architecture and engineering contract is underway and is expected to take six to nine months to complete. The renovation work is projected to take a year to a year-and-a-half to complete.

Analyst's Note: The FY2014 Enacted Capital Plan includes \$1.0 million in RICAP funds in FY2014 for architectural and engineering work and funds to begin renovations to the structure. The Governor's proposes to reduce the RICAP fund appropriation to \$300,000 in FY2014 and use COPs to fund the full renovation costs.

Garrahy Courthouse Parking Project

This section authorizes the State or a quasi-public agency to issue up to \$45.0 million in debt to fund the design and construction of a parking garage and retail space on state-owned land on the site of the

existing Garrahy Courthouse surface parking lot. The existing lot provides 210 parking spaces for state employees and judges. In addition, another 320 off-site parking spaces for state employees and jurors are paid for by Judiciary at an annual general revenue cost of approximately \$480,000. The proposed project authorizes the State to develop the parking garage or sell the State land to a quasi-public body to develop the space. The project will provide 1,250 parking spaces for Judiciary staff, judges, courthouse visitors, workers in nearby businesses, and could provide parking in support of the I-195 Redevelopment District. In addition, the project will create 13,800 square feet of retail space.

Rhode Island Airport Corporation

This section authorizes the Rhode Island Commerce Corporation (formerly the Economic Development Corporation) to issue up to \$60.0 million in debt for the Rhode Island Airport Corporation. These funds will be used for various improvements including, but not limited to, runway and taxiway improvements and facility developments on the premises, including architectural, engineering, surveying, construction management, and other professional services.

Total debt service on the bonds is not expected to exceed \$4.6 million annually and \$135.0 million in the aggregate, assuming an average interest rate of 6.25 percent and a 30-year maturity, with level annual payments.

The bonds or loan agreements issued, pursuant to this article, will not constitute the indebtedness of the State, and required payments will be derived from Corporation revenues, primarily revenues derived from passenger facility charges. The authorization for this debt applies to bonds issued within two years of the passage of the resolution.

Analyst's Note: Article 7 of the FY2013 Budget as Enacted included \$174.0 million in bonding authority for the Rhode Island Airport Corporation, to be issued through the Economic Development Corporation. The Corporation issued a portion of this authorization, \$33.5 million for its De-icer Management System. The balance of the authorization to borrow extinguished one year after passage of the resolution. This article would replace the original \$174.0 million authorization.

Article 5: Relating to Capital Development Program

This article submits a total of \$275.0 million in capital development referenda to Rhode Island voters for their approval. Proposed as four questions on the November 2014 ballot, the following projects are included:

November 2014 Bond Referenda	
Higher Education Facilities - URI College of Engineering	\$125.0
Creative and Cultural Economy	\$35.0
Cultural Arts and the Economy Grant Program	30.0
State Preservation Grants Program	5.0
Mass Transit Hub Infrastructure	\$40.0
Clean Water, Open Space and Healthy Communities	\$75.0
Clean Water Finance Agency - Clean Water	\$20.0
Drinking Water Protection and Enhancement	15.0
Brownfield Remediation for Economic Development	5.0
Marine Infrastructure and Pier Development	4.3
Green Streets and Green Neighborhoods	4.0
Park and Management Area Improvement	4.0
Land Conservation	4.0
Local Recreation Grants	4.0
Supporting Growth of Aquaculture	3.2
Flood Prevention	3.0
Local Land Acquisition	3.0
Farmland Acquisition	3.0
Lake Recreation and Restoration	1.0
Distressed Community Recreation Grants	1.0
Growing Our Local Food Sector	0.5
Total	\$275.0

\$ in millions.

FISCAL IMPACT

The article permits \$275.0 million in bond referenda to be placed on the November 2014 ballot including \$125.0 million in bonds for higher education, \$40.0 million in bonds for transportation, \$20.0 million in bonds for the Clean Water Finance Agency, \$55.0 million in bonds for the environment and recreation, and \$35.0 million in bonds for cultural arts and historic preservation. Debt service payments begin in FY2015, at \$2.7 million in interest. Full payments begin in FY2016 at \$9.9 million.

ANALYSIS AND BACKGROUND

Higher Education

The Governor recommends a bond referendum of \$125.0 million to construct a new building for the College of Engineering at the University of Rhode Island. This bond would also provide for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall. According to URI, the buildings to be demolished were constructed in the 1950s and 1960s and no longer lend themselves to the study of engineering and do not promote collaboration.

Analyst's Note: The Governor's proposal does not include funding for renovations to Bliss Hall as was requested by the University; however, this funding will be requested at a later date.

Creative and Cultural Economy

- **Cultural Arts and the Economy Grant Program:** The Governor recommends a bond referendum of \$30.0 million to fund the State Cultural Arts and the Economy Grants Program. The Commerce Corporation of Rhode Island, in consultation with the Rhode Island Council on the Arts, will administer this new program. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program will offer matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects. The Commerce Corporation of Rhode Island will develop rules and regulations to administer the program.
- **State Preservation Grants Program:** The Governor proposes to capitalize the Historic Preservation and Heritage Commission's State Preservation Grants program with \$5.0 million in bond proceeds. This program provides matching funds to renovate and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures. Since 2002, two bond issuances, one in 2002 and one in 2006 have provided a total of \$6.0 million in funding for 108 projects. Past projects have included the Newport Art Museum, Southeast Lighthouse on Block Island, and the Dr. Reuben Mason House in Chepachet. The Commission granted the last of these funds in 2007.

The State Preservation Grants Review Panel award grants based upon the project's historical and/or architectural significance, physical preservation needs, ability to serve the public and to attract support, and upon geographic distribution. Additionally, projects that are compatible with a local development plan within the city or town in which they are located are given priority.

Mass Transit Hub Infrastructure

The Governor recommends a \$40.0 million general obligation bond authorization be placed on the November 2014 ballot, which will be used to fund major renovations and enhancements to mass transit hub infrastructure throughout the State. Among other goals, this Governor seeks to reduce the volume of traffic at Kennedy Plaza through these projects. Preliminary plans indicate funding would provide for multiple alternative public transportation hubs, including Kennedy Plaza, the Providence Amtrak train station and near the Garrahy Courthouse, which is located near land being redeveloped following the relocation of I-195.

Analyst's Note: The scope of the project and costs for the project, both capital and operating, have not yet been determined. This project was not requested in the budget requests submitted by either RIDOT or RIPTA.

As part of a broader goal to improve mass transit in Rhode Island, the Governor also recommends \$250,000 in RICAP funds in FY2015 for preliminary conceptual design of a new mass transit hub system.

Clean Water, Open Space, and Healthy Communities

This article places a bond referendum for Clean Water, Open Space, and Healthy Communities initiatives on the November 2014 ballot. The Governor's proposal includes \$75.0 million to be allocated as follows:

- **Clean Water Finance Agency – Clean Water:** The referendum provides \$20.0 million to the Clean Water Finance Agency to finance water pollution abatement infrastructure projects through the Clean Water Revolving Fund. Low-interest, subsidized loans to local governments will be available through the Clean Water Revolving Fund. According to DEM, more than \$1.8 million in wastewater infrastructure projects are awaiting funding, including wastewater treatment upgrades, storm water improvements, and sewer overflow abatement projects.
- **Drinking Water Protection and Enhancement:** The referendum provides \$15.0 million to finance state water supply infrastructure projects, which are anticipated to be matched at 50.0 percent by local water suppliers that benefit from the individual projects. \$13.5 million would be directed to the "Pawtucket Pipeline Project" to connect the newly constructed water facilities in Pawtucket to Bristol

County Water Authority's existing infrastructure, establishing an alternative water supply line for the Bristol County Water Authority, as revised in Article 8. The remaining \$1.5 million will be used for projects that include connecting Kent County Water Authority to Quonset Development Corporation and North Kingstown Water, and connecting North Kingstown Water and Jamestown Water.

- **Brownfield Remediation for Economic Development:** The referendum increases funding by \$5.0 million to provide matching grants of up to 80.0 percent of project costs to public, private, and non-profit entities for brownfield remediation projects. There is currently no funding in the FY2014 Capital Plan nor was it requested in DEM's FY2015 capital request.
- **Marine Infrastructure and Pier Development:** The referendum provides \$4.3 million for marine infrastructure and pier development at several sites around the State to promote tourism and fishing industries. Funds used for marine development and improvements will be matched with federal funds, while improvements made to land assets will be used to leverage local, private and federal funds. The funds will be used to develop a fishing pier, boating access ramp, and public restroom facility at Rocky Point in Warwick; to develop a fishing pier and public restroom facility at India Point in Providence; and to develop a fishing pier at Green Lane in Portsmouth.
- **Green Streets and Green Neighborhoods:** The referendum provides \$4.0 million to fund matching grants of up to 70.0 percent of project costs for total grants of up to \$500,000 for public, private, and non-profit entities to install "Green Infrastructure" such as green roofs, rain gardens, vegetated swales (low tracts of land), pocket wetlands, green parking, vegetated filter strips, and riparian buffers to address major storm water issues. This investment will reduce beach closures, polluted ponds, and flooding; build resiliency to extreme weather events; and create green jobs.
- **Park and Management Area Improvement:** The referendum provides \$4.0 million to repair and improve Rhode Island's park and management area infrastructure. According to the State Budget Office, a total of \$18.5 million has been spent prior to FY2014 on recreational facility improvements. DEM manages over 50 state-owned buildings and 163 miles of paved and unpaved roads in state parks and management areas. Priority projects include facility upgrades at Colt State Park (Bristol), Brenton Point (Newport), and Fisherman's Memorial State Park (Narragansett); drainage and road improvements within state management areas; demolition of structures at Arcadia (Exeter), Black Farm (Hopkinton), and Chopmist (Scituate) management areas; and the initial phase of Rocky Point development (Warwick).
- **Land Conservation:** The referendum provides \$4.0 million for the purchase of land, development rights, and conservation easements to fill gaps in state parks and management areas; protect iconic properties that have statewide significance; and, for state parks, beaches, and water access points. On average, DEM is able to leverage a 75.0 percent match from federal and local sources.
- **Local Recreation Grants:** The referendum provides \$4.0 million to municipalities to match grants of up to 80.0 percent of project costs to acquire, develop, or rehabilitate local recreational facilities such as sports fields, tennis courts, and playgrounds. The grant applications will be evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies.
- **Supporting Growth of Aquaculture:** The referendum provides \$3.2 million to develop an operations facility for shellfish management and restoration. The facility will house DEM's Fish and Wildlife Program and will enable collaborate among the Shellfish Management Planning Initiative (led by the University of Rhode Island), Save the Bay, and The Nature Conservancy.
- **Flood Prevention:** The referendum provides \$3.0 million in grants to public and non-profit entities to repair and/or remove dams; restore and/or improve the resiliency of vulnerable coastal habitats; and restore river and stream floodplains design and construction grants. These funds, which are expected

to leverage matching funds, will support local efforts to improve community resiliency and public safety during at time of increase flooding, major storm events, and environmental degradation.

- **Local Land Acquisition:** The referendum provides \$3.0 million for grants to municipalities, local land trusts, and non-profit organizations to acquire fee-simple titles, development rights, or conservation easements of open spaces throughout the state. Through this program, DEM will provide up to 50.0 percent of project costs, and applications are reviewed by the Governor's Natural Heritage Preservation Commission. Of this funding, \$2.0 million will be prioritized for acquisition or easements along vulnerable rivers, streams, ponds, and shoreline. DEM is scheduled to use \$12.5 million in previous bond funds for similar purposes.
- **Farmland Acquisition:** The referendum provides \$3.0 million for the purchase and protection of farmland in danger of converting to non-agricultural use. This land will then be restricted to agricultural use, and either sold or leased to qualified farmers. If the land is then sold, the proceeds from the sale of the land will be credited back to the account for use in new projects.
- **Lake Recreation and Restoration:** The referendum provides \$1.0 million for long-term projects that improve water quality at the State's lake recreation areas, and to improve freshwater access and recreational opportunities.
- **Distressed Community Recreation Grants:** The referendum provides \$1.0 million to match grants of 90.0 percent under the distressed communities program to acquire and develop parks and parkland. Eligible communities currently include Central Falls, North Providence, Pawtucket, Providence, West Warwick, and Woonsocket.
- **Growing our Local Food Sector:** The referendum provides \$500,000 through DEM's Local Agriculture and Seafood Act program to provide grants to farmers, fishermen, and non-profit entities to acquire, renovate, and construct agricultural structures that enhance the viability and profitability of Rhode Island's local food sector.

Article 6: Relating to Resource Recovery Corporation

This article extends the expiration of Rhode Island Resource Recovery Corporation (RIRRC) municipal tipping fees from June 30, 2014, to June 30, 2015.

FISCAL IMPACT

The article has no direct fiscal impact on the State; however, without passage of this article, the current rate schedule will sunset at the end of FY2014, allowing RIRRC to charge “reasonable fees for the services it performs and provides,” pursuant to RIGL 23-19-10(10).

ANALYSIS AND BACKGROUND

The Governor recommends that the current municipal tipping fees charged by RIRRC remain in effect through FY2015 to allow time to develop a long-term financing plan. RIRRC will be formally requesting that the General Assembly form a Tip Fee Commission to look into fees and develop a long-term funding structure.

The law was most recently amended by the 2011 General Assembly to extend the existing rate schedule from FY2012 through FY2014. The maximum tipping fee charged to municipalities has been capped at \$32.00 per ton since July 1, 1993. Currently, municipalities pay between \$29.00 and \$32.00 per ton depending on recycling rates.

Through its enabling legislation, RIGL 23-19-10(41), RIRRC is charged with promoting efforts to reduce the waste stream in order to extend the life of the landfill. However, reduced tonnage means reduced revenue for the Corporation.

In FY2013, municipal tipping fees comprised 22.5 percent of total RIRRC revenue.

Total Municipal Tonnage and Tipping Fees		
	Tonnage	Fees
FY2009	346,145	\$11,513,378
FY2010	342,737	11,541,731
FY2011	336,382	11,501,319
FY2012	329,734	11,080,199
FY2013	308,025	10,293,645
FY2014 ¹	176,368	5,658,536

¹ FY2014 collections through December 2013.

Source: RI Resource Recovery Corporation

Article 7: Relating to the Regional Greenhouse Gas Initiative Act

This article increases funding to support personnel expenses within the Office of Energy Resources (OER) and the Department of Environment Management (DEM) by increasing the percentage of the proceeds received from the auction of greenhouse gas allowances.

FISCAL IMPACT

Passage of this article increases the amount of revenue made available from the auction of greenhouse gas allowances from approximately \$150,000 per year to an amount of not less than \$300,000 per year. The use of additional restricted receipt funding could allow for reductions of general revenues for administrative expenses, however no reductions are budgeted for FY2015.

ANALYSIS AND BACKGROUND

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state “cap-and-trade” program with a market-based emissions trading system.

The RGGI participating states formed a non-profit corporation (RGGI, Inc.) to provide the administrative and technical services, which includes the quarterly CO₂ allowance auctions. These CO₂ allowances are generally purchased by large electric power companies that generate the electricity through the use of fossil fuels. Proceeds from the auctions are divided on a prorated basis to each of the participating states to use on climate change, energy efficiency and renewable program efforts. RIGL 23-82-6 specifies that the lessor of \$300,000 or 5.0 percent of auction proceeds may be used by the DEM and the OER for administrative and personnel costs.

The OER and DEM began to receive RGGI administrative funding support in late 2008, after the first successful RGGI auction occurred. The amount of the proceeds and subsequent administrative funding is solely dependent on the results of the quarterly RGGI auctions. Both the OER and DEM have annually received approximately \$150,000.

The Governor amends RIGL 23-82-6 to increase the portion of the proceeds may be used for administrative/personnel costs by the DEM and the OER from the lessor of \$300,000 or 5.0 percent of the proceeds to the greater of \$300,000 or 10.0 percent of the proceeds. This would provide at least \$300,000 each year for administrative/personnel costs for the DEM and OER.

Article 8: Relating to Water Supplies

This article revises the Bristol County Water Supply Act of 1993 (RIGL 46-15.5) to construct a pipeline to provide a secondary supply of potable water for the residents in the Bristol County communities. The revision includes the City of East Providence as an additional beneficiary in the construction of the new secondary pipeline. The article also revises the term of the state funding match from 50.0 percent of the costs to up to 50.0 percent of the cost to finance this new water supply project.

FISCAL IMPACT

The preliminary cost estimate to construct the new secondary pipeline is \$27.0 million, of which the State would be responsible for up to \$13.5 million with the balance paid for by the East Providence Water Division and the Bristol County Water Authority (BCWA). The Governor intends to fund the state's \$13.5 million portion from the \$75.0 million clean water bond issue proposed as Question 4 for the November 2014 ballot.

ANALYSIS AND BACKGROUND

This article amends the Bristol County Water Supply Act of 1993 (RIGL 46-15.5) concerning the construction of a secondary supply of potable water for the residents of Bristol County. The State's overall water systems plan encourages each system to develop alternative potable water sources in the event that there is a flow stoppage from the primary water source. Presently, the Bristol County communities (Bristol, Barrington, and Warren) and the City of East Providence do not possess adequate or reliable primary water sources.

The BCWA attempted to secure a secondary water source through Massachusetts under the "Shad Factory Pipeline Project," connecting to water sources in the Massachusetts towns of Swansea and Rehoboth. However, the BCWA was unsuccessful in securing the necessary permits.

To assist the BCWA in solving the secondary water supply problem, the State's Water Resources Board identified an alternative plan, "Pawtucket Pipeline," to provide water to the BCWA by constructing a new water interconnection between the Pawtucket Water Supply Board, through the City of East Providence, to the BCWA. This new pipeline benefits the City of East Providence with a secondary water source. Therefore, this article adds the City of East Providence as another beneficiary of the new "Pawtucket Pipeline" water supply.

The article also revises the required state funding match from 50.0 percent of the costs to up to 50.0 percent of the cost to finance this new water supply project and requires that the remaining funding match will be derived from the pipeline users; Pawtucket Water Supply Board, East Providence Water Division, and BCWA in proportions to be established by the State's Water Resources Board. The State's exposure is limited to a maximum of \$13.5 million.

Article 9: Relating to FICA – Alternative Retirement Plan (FARP)

This article amends RIGL 36-7-2(8) regarding FICA (Social Security) Alternative Retirement Plan (FARP) for seasonal, temporary, and part-time State employees who are not members of the Employees' Retirement System of Rhode Island. The article clarifies that a FARP-eligible employee is one that "works less than 20 hours per week," rather than the current definition of "20 hours or less per week," to recognize that employees who work 20 hours per week are part of the retirement system.

FISCAL IMPACT

The State Budget Office projects that there is no fiscal impact in correcting the statute.

ANALYSIS AND BACKGROUND

The FY2014 Budget as Enacted as RIGL 36-7-2(8) implemented the FICA Alternative Retirement Plan (FARP) for seasonal, temporary, and part-time State employees on September 1, 2013, at which time current seasonal, temporary, and part-time employees had the option to enroll in FARP. All new seasonal, temporary, and part-time employees are required to enroll in FARP.

Due to tax reporting and data set up issues, the FARP program actually started on January 1, 2014. Currently 40 employees are enrolled in the program. As a result, the savings are minimal thus far; however, the number/savings should increase as eligible employees (part-time and seasonal) are hired.

FARP is an alternative plan authorized under the federal Omnibus Budget Reconciliation Act of 1990. Upon enrolling in FARP, eligible employees will cease contributing 6.2 percent of their post-tax compensation to FICA (Social Security) and instead contribute 7.5 percent of their pre-tax compensation to a 401(a) account. Employees will be able to access their contributions upon retirement, in the event of death or disability, or upon termination of employment.

The intent of the enacted statute was to exclude state employees who are members of the Employees' Retirement System of Rhode Island (State Retirement System) to avoid potential contractual conflicts.

The enacted statutes RIGL 36-7-2(8) and (9) define an eligible FARP employee as "(8) any part-time, seasonal, or temporary employee of the state of Rhode Island who is ineligible for participation in the Employees' Retirement System of Rhode Island," and "(9) a FARP part-time employee" shall mean an employee of the state of Rhode Island who works twenty (20) hours or less per week."

The definitions under section 8 and 9 are contradictory because part-time state employees who work 20 hours per week are members of the State Retirement System and are therefore ineligible to participate in FARP. This article corrects the error under RIGL 36-7-2(8) and (9) and clarifies that a FARP-eligible state employee is one who "works less than 20 hours per week".

Article 10: Relating to Making Revised Appropriations in Support of FY2014

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted and other funds as well as revises authorized FTE levels for each agency and department for FY2014. Article 10 also transfers \$3.3 million of bond premiums received from the sale of general obligation bonds from the RICAP fund to the State's general fund in FY2014.

APPROPRIATIONS

The article increases the total FY2014 appropriations by \$166.4 million; general revenue appropriations, however, are reduced by \$8.0 million. The article outlines funding changes at the program level by fund for each department.

	FY2013 Final	FY2014 Enacted	FY2014 Governor	Change from Enacted	% Change
General Revenue	\$3,216.0	\$3,359.8	\$3,351.7	(\$8.0)	-0.2%
Federal Funds	2,519.8	2,717.7	2,822.8	105.1	3.9%
Restricted Receipts	198.4	255.0	279.4	24.4	9.6%
Other Funds	1,775.0	1,880.6	1,925.5	44.9	2.4%
Total	\$7,709.3	\$8,213.1	\$8,379.4	\$166.4	2.0%
FTE Authorization	15,076.4	15,118.3	15,100.3	(18.0)	-0.1%

\$ in millions.

INTERNAL SERVICE ACCOUNTS

Article 10 authorizes the State Controller to establish 12 specific internal service accounts to reimburse costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article. The changes in these accounts are intended to bring the budgeted expenditures more closely in line with actual costs.

Account	FY2014 Enacted	FY2014 Governor	Change
State Assessed Fringe Benefits	\$33,644,675	\$35,697,809	\$2,053,134
Administration Central Utilities	20,253,728	14,238,457	(6,015,271)
State Central Mail	5,336,633	5,519,803	183,170
State Telecommunications	4,084,660	4,053,438	(31,222)
State Automotive Fleet	13,668,556	13,405,358	(263,198)
Surplus Property	2,500	2,500	-
Health Insurance	250,127,757	250,127,757	-
Other Post-Employment Benefits	64,572,028	64,053,651	(518,377)
Capital Police	872,233	1,019,921	147,688
Corrections Central Distribution Center	6,701,947	7,271,465	569,518
Correctional Industries	8,341,086	7,590,505	(750,581)
Secretary of State Records Center	869,457	866,291	(3,166)
Total	\$408,475,260	\$403,846,955	(\$4,628,305)

FTE POSITION CAP AND APPROVAL

The article establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency for FY2014. Departments and agencies may not exceed the number of authorized

FTE positions shown, in any pay period. Statewide, the Governor recommends a net decrease of 18.0 FTE positions below the FY2014 Budget as Enacted. The following changes are included in the Governor's proposal:

FTE Position Authorizations			
	FY2014 Enacted	FY2014 Governor	Change from Enacted
General Government	2,276.7	2,294.7	18.0
Human Services	3,747.8	3,743.8	(4.0)
Education	3,883.4	3,997.3	113.9
Public Safety	3,233.6	3,222.6	(11.0)
Natural Resources	428.0	428.0	-
Transportation	772.6	752.6	(20.0)
Subtotal	14,342.1	14,439.0	96.9
Higher Education Sponsored Research	776.2	661.3	(114.9)
Total FTE Positions	15,118.3	15,100.3	(18.0)

Major FTE changes include:

- **An increase of 18.0 FTE positions in the Department of Labor and Training:** This reflects an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance program, an increase of 7.0 FTE positions for the Unemployment Insurance Call Center, an increase of 3.0 FTE positions to administer the Back to Work RI program, and increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.
- **A shift of 113.9 FTE position in Higher Education:** The Governor shifts 113.9 FTEs positions from federal-sponsored research to non-sponsored positions at URI and CCRI, restructuring higher education personnel.
- **An increase of 2.0 FTE positions in the Higher Education Assistance Authority:** The Governor increases the Higher Education Assistance Authority by 2.0 FTE positions for the Way to Go web portal program.
- **A decrease of 11.0 FTE positions in the Department of Public Safety:** The Governor eliminates 1.0 FTE General Counsel position and 1.0 Director of the Rhode Island Municipal Police Training Academy, which were unfunded in the enacted budget. The Governor also eliminates 9.0 vacant FTE positions in the State Police Division.
- **A decrease of 20.0 FTE positions in the Department of Transportation:** The Governor recommends the following FTE reductions due to long-term vacancies and to correspond with actual filled positions.

DOT FTE Position Reductions	Change from Enacted
Engineering Technician	(13.0)
Highway Maintenance Operator	(3.0)
Senior Real Estate Specialist	(1.0)
Senior Auditor	(1.0)
Civil Engineer	(1.0)
Landscape Maintenance Technician	(1.0)
Total	(20.0)

Article 11: Job Development Fund Assessment

This article clarifies that the Job Development Fund Assessment on employers will continue at 0.21 percent of defined employee wages after tax year 2015, after the additional 0.30 percent surcharge is phased out. In addition, passage of this article would authorize the use of any balance in the restricted receipt account to fund the Department of Labor and Training's (DLT) Unemployment Insurance Modernization Project.

FISCAL IMPACT

According to the Budget Office, an estimated \$13.0 million in restricted receipts may be available after the repayment of the federal unemployment insurance loans during FY2015. The FY2015 Proposed Budget does not include an expenditure of the restricted receipt balance.

ANALYSIS AND BACKGROUND

The Job Development Fund Assessment is established under Title 42 Chapter 28 of the Rhode Island General Laws. The assessment charges employers 0.51 percent on the first \$20,600 of taxable wages per employee. The assessment is deposited into the Job Development Fund (JDF) restricted receipt account at the DLT. Disbursements from the JDF are used to support employment services and unemployment insurance administrative functions, as well as to make principal and interest payments on the state's Federal Unemployment Account (FUA) loans.

Job Development Assessment		
Permanent	Rate	Revenue
GWBRI/HRIC Program Allocation	0.19%	\$12.0
Core Services	0.02%	1.3
	0.21%	\$13.3
Temporary		
Federal FUA Loan Repayment	0.30%	18.7
Total	0.51%	\$32.0

\$ in millions.

- GWBRI/HRIC Program Allocation (0.19 percent):** The allocation to the Governor's Workforce Board Rhode Island/Human Resources Investment Council (GWBRI/HRIC) funds various workforce development training grants and programs. This includes funding for the Adult Education program at the Department of Education and funding for three positions at the Community College of Rhode Island's Center for Workforce and Community Education initiative (CWCE). Funds are also used to cover the centralized administrative service costs at the Department of Administration and for the tax collection service costs at the Department of Revenue. This portion is subject to the 10.0 percent indirect cost recovery requirement.
- Core Services Allocation (0.02 percent):** This allocation goes into a restricted receipt account that funds the Department of Labor and Training's personnel and operating expenses for employment and unemployment services. This portion is subject to the 10.0 percent indirect cost recovery requirement.
- Federal FUA Loan Repayment Allocation (0.30 percent):** The final allocation is a temporary assessment added in FY2011 to fund the principal and interest payments due on the state's Federal Unemployment Account (FUA) loans, increasing the Job Development Fund Assessment to 0.51 percent. This allows for the assessment to pay the annual interest and/or principal due on the FUA loans. This portion is exempt from the 10.0 percent indirect cost recovery requirement.

This article clarifies that after tax year 2015, the Job Development Assessment paid by employers will decrease from 0.51 percent to 0.21 percent, and that 0.02 percentage points of the assessment will continue to be used to support core service expenses in the Unemployment Insurance and Employment Services programs at the DLT.

Currently, any funds remaining in the restricted receipt account that were raised solely through the 0.30 percent temporary assessment must, by state law, be deposited into the State's Employment Trust Fund. Funds deposited into the Trust Fund are, by federal law, limited to only pay unemployment benefits.

This article revises state law, giving the General Assembly the option to appropriate any remaining restricted receipt funds that are not required to pay any principal or interest payments on the federal loans, to support the costs associated with the Department's Unemployment Insurance modernization project. These funds would not be deposited into the Trust Fund, and thus the federal limitations would not apply.

Article 12: Relating to Revenues

This article makes a number of changes that impact State revenue collection, including changes that enhance Division of Taxation enforcement activities, expand the hotel tax, and create a new initiative to combat misrepresentation of sales for tax purposes.

- The Division of Taxation (Taxation) will include a lookup table on the Rhode Island income tax return to calculate the required amount of use tax owed to the State based on taxpayer's federally adjusted gross income. Utilization of this lookup table would absolve a taxpayer of fines and penalties should that taxpayer become the subject of an audit on use tax.
- Anti-zapper legislation would make it illegal to use software that under-reports sales for the purpose of tax evasion.
- Two other initiatives, the State Employee Income Tax Compliance project and blocking new vehicle registrations of delinquent taxpayers will compel taxpayers to become compliant with State income tax laws by imposing penalties.
- The article expands the hotel tax to include hotel resellers, bed and breakfasts, and time shares and expands the cigarette tax to include electronic cigarettes.
- The Division of Taxation hopes to encourage taxpayers to file tax returns electronically by prohibiting software companies from charging a fee for this service.

FISCAL IMPACT

This article increases general revenue by \$6.0 million for FY2015. The table below itemizes the impact of each initiative.

Article 12 - Revenue Changes	FY2015
Enforcement	
<i>Safe Harbor for Use Tax</i>	\$2.2
<i>Anti-Zapper Legislation</i>	0.8
<i>State Employee Income Tax Compliance</i>	0.4
<i>Block on "New" Vehicle Registrations</i>	0.5
Expansion	
<i>Hotel Tax on Hotel Resellers, Bed & Breakfasts and Timeshares</i>	1.4
<i>Tax on E-Cigarettes</i>	0.8
Other Revenue Changes	
<i>Prohibit Electronic Tax Filing Fee</i>	<i>Informational</i>
Total	\$6.0
<i>\$ in millions</i>	

Source: Rhode Island Department of Revenue and the Office of Management and Budget

ANALYSIS AND BACKGROUND

This article enhances Taxation enforcement activities and expands the existing tax base. Each change is summarized below.

Safe Harbor for Use Tax

This article establishes a use tax "safe harbor" option on the Rhode Island personal income tax return. Voluntary compliance with this option is projected to increase revenue by \$2.2 million in FY2015.

The use tax is owed on tangible personal property purchased from vendors that do not collect the Rhode Island sales tax. The Division of Taxation reported only 958 returns (0.2 percent) of 492,402 personal income tax returns reported use tax in 2011.

This article requires the Division of Taxation to establish a lookup table referencing taxpayers' federally adjusted gross income (AGI) for the purpose of calculating use tax owed beginning with tax year 2014 returns. When reporting the amount of use tax owed on the Rhode Island personal income tax return, the taxpayer may list either the actual amount of taxable purchases or calculate a flat amount using the lookup table. The lookup table will reference the taxpayers' federal AGI before modifications, adjustments or other changes. To determine the amount, the taxpayer multiplies the amount of their federal AGI by 0.0008 (0.08 percent). For example, a taxpayer with a federal AGI of \$15,000 would owe \$12 in use tax.

If a taxpayer uses the lookup table, the result must be listed on the taxpayer's return, along with the amount of each single purchase whose purchase price equals or exceeds \$1,000. The AGI income ranges will be adjusted for inflation each year by the Tax Administrator.

Nine states, in total, require use of a lookup table for reporting use tax on income tax returns, including Massachusetts and Vermont. The Governor adds a "safe harbor" provision, affirming that taxpayers claiming the flat amount would be absolved of any penalties should the taxpayer later be the subject of an audit that revealed underreporting of use tax.

Adjusted Gross Income	Use Tax
\$0-\$10,000	\$4
\$10,001-\$20,000	\$12
\$20,001-\$30,000	\$20
\$30,001-\$40,000	\$28
\$40,001-\$50,000	\$36
\$50,001-\$75,000	\$50
\$75,001-\$100,000	\$70
Above \$100,000	Multiply AGI by .08% (0.0008)

Anti-Zapper Legislation

This article would make any use, sale, or possession of "zapper" or "phantom-ware" technology illegal. An automated sales suppression device, also known as a "zapper," is any software that understates sales for the purpose of tax evasion. Zapper software programs may be carried on a memory stick or removable compact disc, accessed through an internet link, or accessed through other means. Most users of zapper software are middle-market businesses, such as grocery stores and restaurants.

"Phantom-ware" is a hidden programming option similar to zapper software that is embedded in the operating system of an electronic cash register to manipulate transaction records.

Any use, sale or possession of this software will be considered a felony and the violator may be charged a fine up to \$50,000, subject up to 5 years imprisonment, or both. Seven states, including Connecticut, have enacted this law. Similar legislation has been introduced in Massachusetts.

The Division of Taxation will allow an amnesty period for users to come forward. Revenue auditors will be trained to enforce this initiative and the Division will work with the Department of Information Technology (DoIT) to develop ways to test for this software.

The Governor includes a revenue increase of \$770,000 from the initiative.

State Employee Income Tax Compliance

This article establishes the State Employee Tax Compliance Act requiring all State employees to comply with Rhode Island personal income tax laws as a condition of employment. Implementation of the article requires the Department of Administration (DOA) provide to the Division of Taxation a list of all state employees as of the preceding July 1 and all identifying information required by the tax administrator to determine whether each employee is in compliance with State tax laws. Any state employee found to be

out of compliance will be notified by the Division of Taxation by December 1 of the reasons for non-compliance, amount owed or a list of tax years for which income tax returns have not been filed. If a State employee is found to have an outstanding liability, the employee must agree to a payment plan or have their wages garnished.

The Division of Taxation estimates 850 current employees are non-compliant in filing state income tax returns. Of these, 187 state employees have outstanding liabilities to the State in excess of \$440,000 that the Division of Taxation assumes it will collect based on this legislation.

Block on “New” Vehicle Registrations

Under current law, the Division of Taxation has the authority to block vehicle registration renewals of taxpayers who are noncompliant with Rhode Island income tax laws but it does not have the authority to block new registrations of noncompliant residents.

This article requires that the Tax Administrator, on or before October 31 in each year and at least quarterly thereafter, provide to the Division of Motor Vehicles (DMV) taxpayer information of persons who have neglected or refused to file personal income tax returns or those who owe payment on such taxes. The DMV will not be allowed to register any motor vehicle or transfer the registration of any motor vehicle for any person whose name appears on the list until all State taxes, fines and penalties are paid in full or a payment plan is implemented. Upon payment of taxes owed, or once the taxpayer has entered into a payment agreement, the Division of Taxation will issue a certificate of good standing within 5 business days, after which the DMV will issue the registration.

The Governor includes \$488,000 in additional revenue from this proposal. The Division of Taxation performed a limited sampling from July 2013 through September 2013, releasing 17 registration blocks for taxpayers owing the State over \$122,000. The Division annualized this amount, realizing an additional \$488,000 in revenue.

Analyst Note: Although the State has the authority to block only renewal registrations, cities and towns can block both new registrations and renewals.

Hotel Tax on Hotel Resellers, Bed & Breakfasts, and Timeshares

The State currently levies a 5.0 percent gross receipts tax on hotels that have more than three rooms and are rented for 30 days or less. The article expands the definition of hotels subject to the State’s lodging tax to include any facility offering a minimum of one room for which the public may obtain transient lodging accommodations. It also expands the definition to include Bed and Breakfast establishments, timeshares, and room resellers. Room resellers have authority from a hotel to arrange accommodations, including sellers of travel packages, such as Expedia, Inc. or Priceline.com.

The tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis, and is in addition to all other taxes and fees currently imposed. An additional 1.0 percent tax was added to the hotel tax in FY2005 and is fully allocated to the city or town in which the hotel is located. The Division of Taxation collects and distributes the tax for all municipalities except for the City of Newport, which is authorized to collect and disburse tax receipts for hotels located within the City. The effective breakdown of tax receipts distribution, inclusive of the 1.0 percent local portion, is as follows:

Hotel Tax - Effective Distribution of 6.0%*

Distribution	Where Collected			
	Warwick	Providence	Statewide	Other
Regional Tourism Districts	25.8%	0.0%	0.0%	39.2%
Providence/Warwick Convention &	19.2%	18.0%	9.6%	5.8%
Providence Convention Authority	0.0%	27.5%	0.0%	0.0%
Cities and Towns	37.5%	34.5%	61.6%	37.5%
State (General Revenue)	17.5%	19.9%	28.8%	17.5%
Totals	100.0%	100.0%	100.0%	100.0%

*FY2013 final closing distribution

This article requires room resellers to register annually with the Division of Taxation to obtain a retail business permit and to collect the sales and use taxes and hotel taxes. Resellers currently pay taxes based on the wholesale cost of the room, not the actual cost to the end consumer, effectively allowing these resellers to pay less in taxes than a direct seller. This article requires sales tax to be calculated upon the amount of rental and other fees paid by the occupant to the room reseller, less the amount of any rental or other fees paid by the reseller to the hotel. The hotel will then remit taxes upon the amount of rental and fees paid to the hotel by the reseller or occupant.

Example: Sales & Hotel Collections

Room Charge to Consumer	\$150.00	Wholesale Charge to Room Reseller	\$120.00
Sales Tax (7.0%)	10.50	Sales Tax (7.0%)	8.40
Hotel Tax (5.0%)	7.50	Hotel Tax (5.0%)	6.00
Local Tax (1.0%)	1.50	Local Tax (1.0%)	1.20
Total Taxes	\$19.50	Total Taxes	\$15.60
		Total Charge to Room Reseller	135.60
		Reseller Mark-Up to Consumer (25.0%) ¹	33.90
Total Charge to Consumer	\$169.50	Total Charge to Consumer	\$169.50

¹Actual mark-up rate may vary by reseller.

Analyst Note: Similar to this initiative, Massachusetts' proposed FY2015 budget expands the state's room occupancy tax to include timeshares, bed and breakfasts and room resellers.

The State is estimated to receive \$182,554 in additional revenue, and municipalities would receive \$249,319 from the Hotel Tax changes. Additionally, the expansion of the hotel tax base would result in additional Sales and Use tax collections, as it is levied on the final price. Sales and Use tax collections are estimated to increase by \$1.2 million from the proposal.

ORA used statistics from the Center on Budget and Policy Priorities, a national fiscal policy research organization, to estimate the total number of bed and breakfasts, timeshares, and room resellers that operate in Rhode Island and calculated the impact of state lodging tax rates of those potential taxpayers. The Governor includes \$1.4 million in FY2015 for the State's general revenue share.

FY2015 Lodging Tax: General Revenues

Source	State 7.0 Percent	State 5.0 Percent	Total Lodging
Room Resellers	\$775,659	\$116,349	\$892,008
Bed & Breakfast and Timeshares	441,304	66,196	507,500
Totals	\$1,216,963	\$182,544	\$1,399,507

Analyst Note: Under current State law, passage of the federal Marketplace Fairness Act (MFA) triggers a 0.5 percent increase on the local hotel tax rate effective on the same date the State requires remote sellers to collect and remit sales and use taxes. The total tax on lodging would increase from 13.0 percent to 13.5 percent (7% sales tax + 5% state hotel tax + 1.5% local hotel tax) with the additional revenue going to municipalities.

Tax on E-Cigarettes

The State assesses a tax equivalent to 80.0 percent of the wholesale cost of tobacco products other than cigarettes, including cigars, chewing tobacco and pipe tobacco. This article expands the definition of “other tobacco products” to include electronic cigarettes (e-cigarettes) and subject them to tax equal to 80.0 percent of the wholesale cost. Currently, e-cigarettes are subject to only sales and use tax.

E-cigarettes are considered an alternative to traditional cigarettes. An e-cigarette is a personal vaporizer, electronic nicotine delivery system, or an electronic inhaler, which generally utilizes a heating element that vaporizes a liquid solution containing nicotine or a nicotine derivative. The product is designed to deliver nicotine, flavor and chemicals to the user.

The Division of Taxation estimates an 80.0 percent tax on e-cigarettes sales of \$1.9 million would increase revenues in FY2015 by \$750,000.

Prohibit Electronic Tax Filing Fee

This article makes it illegal for any tax return preparer or a software company to charge a separate fee for the electronic filing of authorized tax documents. The goal of the initiative is to increase the percentage of tax returns filed electronically. Though civil penalties of \$500 for the first violation and \$1,000 for each succeeding violation will be imposed on programs or tax preparers that charge a fee for e-filing, the Governor does not include any additional revenues for this initiative.

Article 13: Relating to the Lottery

This article modifies current laws regarding the way traditional lottery ticket sales fund the Division of Lottery's operations and state payment. The article modifies distribution of Net Table Game Revenue (NTGR) should VLT Net Terminal Income (NTI) decrease over a 12-month period after the commencement of casino gaming in Massachusetts. Finally, the article modifies the way pension contributions are shown on lottery financial statements to comply with accounting standards.

FISCAL IMPACT

This article has no immediate fiscal impact on lottery revenues. At this time, the Division of Lottery remits the required 25.0 percent share of traditional lottery revenue to the general fund. The article would remove the 25.0 percent threshold; however, the Division must continue to remit the maximum amount of gross ticket sales revenue to the State general fund after accounting for operating expenses of the Division.

Secondly, the changes in shares of NTGR are dependent on the negative impact of casino gambling commencing in Massachusetts. While it is possible that Massachusetts gaming will begin in FY2015, the changes to NTI distribution would not take effect until at least one full year following the commencement of gaming.

ANALYSIS AND BACKGROUND

Modification of Funding Requirements for the Division of Lottery

When traditional lottery (instant tickets) began, the State enacted legislation requiring that the Division of Lottery remit 25.0 percent of the gross profits to the State general fund. The remaining 75.0 percent would be allocated to the Division for operating expenses, including prize payments.

The State did not change the way the Division's operations were funded when VLT gaming began. Although operating costs increased with the introduction of VLTs, the Division was able to continue funding all traditional and video lottery operations within the 75.0 percent threshold of gross revenues from ticket sales.

At the time, tickets were less expensive, sales were high, and the odds of winning a jackpot were low. Since then, traditional lottery tickets have become more expensive and prizes are much larger. Costs of operations are increasing and the Division's operations and cost of sales are nearing the 75.0 percent threshold.

Lottery Revenue & Expenditure Summary

	FY2013		FY2014 YTD		% Change
Total Cost of Sales, Including Prize Awards	\$119,872,770	69.3%	\$47,587,394	69.5%	0.2%
Total Operating Expenses	8,770,460	5.1%	3,573,598	5.2%	0.2%
Operating Income to General Fund	44,375,008	25.6%	17,340,022	25.3%	-0.3%
Gross Revenues from Traditional Lottery	\$173,018,238	100.0%	\$68,501,014	100.0%	-

Removing the requirement to remit 25.0 percent of traditional ticket income to the general fund will allow the Division to continue to fund all traditional and video lottery operations through traditional ticket sales. While the State may receive a lower percentage of ticket revenues, the general fund will continue to benefit from the growing revenue of VLTs. Since the Division does not take a "cut" to fund VLT operations, the State general fund receives all of the gross profits after deducting for prize awards.

Redistribution of Net Table Game Revenue

This article makes changes to the State share of Net Table Gaming Revenue (NTGR). Under current law, the State receives 18.0 percent of NTGR: 16.0 percent plus an additional 2.0 percent share of NTGR from Twin River. The remaining 82.0 percent is retained by Twin River. If revenues from VLTs decrease over a one-year period, the State would permanently lose the additional 2.0 percent share. The 2.0 percent would be allocated back to Twin River.

The article allocates 1.0 percent of the 2.0 percent share to Twin River if VLT NTI decreases, but limits the allocation to four years. The other 1.0 percent share would go to the Town of Lincoln. After the four years, the 2.0 percent would be reallocated to the State. The additional funds would allow an adjustment period for Twin River and the Town of Lincoln for four years and protect the State's future share of NTI.

	Distribution of NTGR		Governor's Proposal (Changes only apply for 4 years)
	Current Law	Current Law with Negative Effects on VLT Revenue (Permanent)	
State Share	18.0%	16.00%	16.00%
Twin River Share	82.0%	83.0%/84.0%*	83.00%
Town of Lincoln	-	1.0%/0.0%*	1.00%

**Under current law, 1.0 percent of the 2.0 percent share would go to the Town of Lincoln for four years. Afterward, that share would be remitted back to Twin River, permanently.*

The Office of Revenue Analysis (ORA) expects gaming in Massachusetts to have a significant impact on the casino gaming industry in Rhode Island; the increased competition from nearby facilities will have a negative effect on the VLT NTI at the Twin River and Newport Grand facilities. ORA estimates revenues transferred to the state general fund will decrease by \$422.1 million in total over a five-year period. If casino gaming in Massachusetts commences on July 1, 2015, as ORA expects, it will have an immediate negative impact on VLT NTI at Twin River. ORA projects that NTI will begin to decrease on the first day that gaming in Massachusetts begins.

Updating Accounting Standards

The Governmental Accounting Standards Board (GASB) is an independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Beginning in FY2015, GASB implemented a new pension accounting standard for employers participating in defined pension benefit pension plans beginning in FY2015. For cost-sharing employers, such as the Division of Lottery, the overall effect of the new requirements will be that pension expenses will be reported on financial statements significantly earlier. This accounting modification brings the Division of Lottery in compliance with GASB standards and will only be reflected on State Lottery Fund financial sheets; a change in reporting will not affect the actual transfer of funds to the State.

Article 14: Relating to Marketplace Fairness Act

This article repeals the changes to tax statutes that would be triggered by the passage of the federal Marketplace Fairness Act (MFA). The MFA would require remote sellers to collect and remit sales taxes to states. Under current law, if the federal legislation were to pass, the State sales tax would be lowered to 6.5 percent; local meals and beverage tax would be increased to 1.5 percent; sales & use tax owed on clothing and footwear over \$250 would be eliminated; and, the local hotel tax rate would increase from 1.0 percent to 1.5 percent.

Under this article, if the federal legislation were to pass the corporate tax rate would be reduced from 9.0 percent to 6.0 percent and the sales tax exemption on utilities that currently applies only to manufacturing businesses would be expanded to include all Rhode Island businesses. The article does not change the current law provision regarding the local hotel tax, which increases to 1.5 percent upon passage of the MFA.

FISCAL IMPACT

This article has no immediate fiscal impact on general revenues because the changes in tax rates are dependent on the passage of the federal MFA. The table below outlines estimated revenue changes based on the Governor's proposal.

Marketplace Fairness Act - Revenue Changes ¹		
Governor's Proposal		
Anticipated Annual Revenue	Corporate Tax Rate	Business Utilities Sales
\$65.0	(\$45.0)	(\$20.0)

\$ in millions.

¹ These changes will only occur if MFA is enacted at the federal level.

Source: Office of Management and Budget

ANALYSIS AND BACKGROUND

Current Rhode Island law makes several changes to tax rates upon the passage of the MFA.

- The State sales tax would be reduced from 7.0 percent to 6.5 percent.
- The local meals and beverage tax would increase from 1.0 percent to 1.5 percent.
- The sales & use tax owed on clothing and footwear with a sales price over \$250 per item would be eliminated.
- The local hotel tax, which is remitted to municipalities, would increase from 1.0 percent to 1.5 percent.

This article eliminates these current law provisions, excluding the local hotel tax rate change, and replaces them with the following provisions should the MFA pass.

- The corporate tax rate would be reduced from 9.0 percent to 6.0 percent beginning on January 1 of the tax year after the date the State requires remote sellers to collect and remit sales and use tax. Rhode Island would have the lowest corporate tax rate in New England under the proposal.
- The current sales and use tax exemption on electricity and gas for manufacturers would be expanded to include all businesses, beginning immediately upon passage of the MFA. Rhode Island would be

one of two New England states to exempt utility costs for businesses from State sales taxes on utilities under the proposal.

	Regional Tax Rates			Sales Tax on Utilities for
	Sales & Use	Meals & Beverage	Corporate	Businesses
Rhode Island	7.00%	8.00%	9.00%	Yes
Current Law if MFA Passes:	6.50%	6.50%/1.00%	9.00%	Yes
Article 14 if MFA Passes:	7.00%	8.00%	6.00%	No
Massachusetts	6.25%	6.25%	8.00%	No
Connecticut	6.35%	6.35%	9.00%	Yes
New Hampshire	0.00%	9.00%	8.50%	Yes
Vermont	6.00%	9.00%	8.50%	Yes
Maine	5.00%	8.00%	8.93%	Yes

In current law, the decrease in sales tax is offset by an increase in the local hotel tax to 1.5 percent upon passage of the MFA so that the total tax on lodging remains at 13.0 percent (6.5% sales tax + 5% state hotel tax + 1.5% local hotel tax). While Article 14 repeals other provisions regarding the passage of the MFA, it does not eliminate the 0.5 percent increase in the local hotel tax after passage of the MFA, so the total tax on lodging would increase under this article to 13.5 percent (7% sales tax + 5% state hotel tax + 1.5% local hotel tax). This would increase revenue to cities and towns but have no impact on general revenue to the State.

	Overview of Lodging Tax Changes			
	Sales Tax	State Hotel Tax	Local Hotel Tax	Total Lodging Tax
Current Law	7.0%	5.0%	1.0%	13.0%
Current Law with MFA	6.5%	5.0%	1.5%	13.0%
Governor's Proposal with MFA	7.0%	5.0%	1.5%	13.5%

MARKETPLACE FAIRNESS ACT

The MFA grants states the authority to compel online and catalog retailers, known as “remote sellers,” no matter where they are located, to collect sales tax at the time of a transaction. Local brick and mortar retailers are already required to do this. In order to realize full potential revenues from sales taxes on items sold to state residents, remote sellers must be required to remit sales taxes to states where the item was purchased. Remote sellers currently are not required to remit this sales tax because it would essentially place a burden on the remote business to monitor hundreds of sales tax rates. Remote sellers only need to collect sales and use tax in states in which they have a physical presence, placing the burden on the consumer to remit use tax to the state in which they reside. The federal legislation was developed in response to the lack of consumer compliance with use taxes. The MFA seeks to place the sales and use tax burden on the seller rather than the consumer, which is already the law for brick and mortar businesses.

Article 15: Relating to Historic Tax Credits

This article increases the amount of available credits in the Historic Structures Tax Credit program by \$52.1 million. Whereas the program had originally set aside this amount as a debt service reserve, this article releases those funds to be issued as tax credits for approved projects.

FISCAL IMPACT

This article has no fiscal impact in FY2015 since proceeds from bonds previously issued will be sufficient to cover the credits that the Budget Office anticipates will be redeemed in FY2015. Though the Budget Office anticipates bond issuances of \$75.0 million in FY2014 and \$75.0 million in FY2016, these issuances are for previously authorized tax credits. The additional \$52.1 million in historic tax credits represented by this article would be issued in FY2018 with annual debt service of \$7.2 million commencing in FY2019. Finance costs are estimated to be \$8.3 million for the additional credits based on an interest rate of 4.5 percent.

ANALYSIS AND BACKGROUND

Enacted in 2002, the State Historic Investment Tax Credit Act provided for a credit against Rhode Island income tax equal to 30.0 percent of the “qualified rehabilitation expenditures” expended for the “substantial rehabilitation” of a “certified historic structure,” provided the rehabilitation meets standards consistent with the federal historic tax credit. The 2008 General Assembly made substantive changes to the historic tax credit program, effectively ending the program for new projects.

The 2013 General Assembly restored the state historic tax credit program, allowing for the reissuance of tax credits previously issued but subsequently abandoned or forfeited by developers. The program also created two tiers of tax credits. Net of the 3.0 percent processing fee, approved projects qualify for tax credits of 22.0 percent of qualified expenditures if the first floor, or at least 25.0 percent of the structure, will be rentable by a trade or business; all other approved projects qualify for net tax credits of 17.0 percent. Beginning July 1, 2013, \$34.5 million in abandoned tax credits became available. The Division of Taxation used a lottery process to allocate these credits to 31 projects; however, demand far exceeded the availability as 41 applications for these credits totaled \$60.0 million.

The article proposes to use \$52.1 million that was originally set aside for a reserve fund to increase the amount of available credits in the project fund from \$299.9 million to \$352.0 million.

Including the FY2015 proposal, the table to the right shows future debt service for the Historic Structures Tax Credit program. It includes \$202.0 million in available debt to be issued, with \$75.0 million to be issued in FY2014, \$75.0 million in FY2016, and \$52.1 million in FY2018, amortized over nine years.

	Principal	Interest	Proposed Total Debt Service
FY2014	-	-	-
FY2015	6,943,085	3,375,000	10,318,085
FY2016	7,255,524	3,062,561	10,318,085
FY2017	14,525,108	6,111,063	20,636,171
FY2018	15,178,738	5,457,433	20,636,171
FY2019	20,675,653	7,114,390	27,790,043
FY2020	21,606,058	6,183,985	27,790,043
FY2021	22,578,330	5,211,713	27,790,043
FY2022	23,594,355	4,195,688	27,790,043
FY2023	24,656,101	3,133,942	27,790,043
FY2024	15,447,541	2,024,417	17,471,958
FY2025	16,142,680	1,329,278	17,471,958
FY2026	6,551,015	602,857	7,153,872
FY2027	6,845,811	308,061	7,153,872
Total	\$201,999,999	\$48,110,388	\$250,110,387

Article 16: Relating to Underground Economy and Employee Misclassification

This article establishes a statewide task force to educate business owners about State employment laws and regulations, conduct target investigations, and conduct enforcement against violators.

FISCAL IMPACT

The Budget Office projects that passage of this article generates \$1.8 million in new revenue in FY2015, of which \$990,000 is from personnel income taxes and \$810,000 from fines and penalties.

ANALYSIS AND BACKGROUND

The Governor recommends a new law to create the “Underground Economy and Employee Misclassification Act.” The Act creates a statewide task force to combat employee misclassification. According to the 2009 report by the Rhode Island General Assembly’s Joint Commission to Study the Underground Economy and Employee Misclassification, “misclassifying employees deprives workers from participating in their legal benefits and labor protections, deprives the State of uncollected tax revenues and insurance premiums, and unfairly places honest employers at an unfair competitive disadvantage.” The task force replicates a similar effort conducted in Massachusetts that generated \$10.9 million in revenue within a two-year period.

The purpose of the task force is to educate business owners about State employment laws and regulations, to conduct joint target investigations, and to take enforcement actions against violators who deliberately list employees as independent contractors and other actions taken by individuals and business owners to conceal their activities from government licensing, regulatory and taxing authorities. The task force will consist of representatives of the Department of Labor and Training, Division of Taxation, Department of Business Regulation’s Workforce Regulation and Safety Division, the Office of the Attorney General, and the Department of Public Safety.

This article is limited to the creation of the task force. The article does not create a unified statutory definition of the terms “employee” and “independent contractor” in order to classify employees properly, nor does the article propose any changes to modify the filing requirements for independent contractors, to ensure these workers receive critical benefits and protections.

Article 17: Relating to Government Reform

This article amends several statutory provisions pertaining to the disposition of surplus general revenue funds into the State Retirement Trust Fund. The article also amends several budgetary oversight authorities of the General Assembly, including approval of certain rental and lease agreements. In addition, this article proposes to streamline reporting regarding contracted state employees and eliminates the 5.5 percent surcharge on non-state employee contracts that is deposited into the State Retirement Trust Fund. The changes involving the State Retirement Fund do not require any actuarial reports.

FISCAL IMPACT

This article would have minimal fiscal impact. The revision regarding the disposition of general revenue surpluses under section 1 is dependent upon future general revenue surpluses, which are indeterminable at this time. Repealing the 5.5 percent assessment on state expenditures for non-state employee services would reduce deposits into the State Retirement Trust Fund by \$300,000 to \$400,000 per year.

ANALYSIS AND BACKGROUND

General Revenue Surpluses: Section 1 of this article repeals the required transfer of the general revenue surplus to the Employees' Retirement System Rhode Island.

The State Controller's Audited Financial Statement for FY2012 reported a general revenue surplus of \$13.3 million. After deducting the 2.8 percent transfer to the State's "rainy day fund," the remaining balance was \$12.9 million. The Governor's FY2013 Revised Budget proposed to utilize these funds rather than depositing the surplus into the State Retirement Trust Fund, but the General Assembly did not concur.

The audited financial statement for FY2013 reports a general revenue surplus of \$173,820 and after the "rainy day fund" transfer, \$168,605 will be deposited into the State Retirement Trust Fund. The Governor makes the payment to the retirement fund this year, but proposes the law change to allow future surpluses to be used as state general revenues.

Direct Deposit: Section 1 adds new language that requires the direct deposit of payroll for all new state employees hired after September 30, 2014, and directs that all state employees hired before September 30, 2014, participate in the direct deposit system by June 30, 2016.

Department Directors' Salaries: Section 2 of this article repeals RIGL 36-4-16.4, eliminating the public hearing process and General Assembly authorization to change salaries of department directors. Presently, state law requires the Department of Administration to conduct annual public hearings in March to determine the salaries for directors of state executive departments. The hearing provides a forum for public comment in determining these salaries. Enacting this section would eliminate the public hearing process and the requirement that General Assembly authorize changes in directors' salaries.

Privatization Contracts and Contract Employees: The Governor proposes several changes to the reporting requirements concerning "privatization contracts," contract employees, and state consultants. The changes would streamline and eliminate other duplicative reporting requirements (under sections 6 and 7 of this article) for contract employees and consultants. Section 4 of this article amends and repeals sections of RIGL 37-2.3-3 and 37-2.3-4, concerning the reporting of privatization contracts and subcontractors enacted under the Government Oversight and Fiscal Accountability Review Act (P.L. 2006 Chapter 172 and 646). Information on contracts and consultants would still be available on the State's transparency portal

The Governor eliminates the requirement to separately report subcontractors as part of an agency's annual budget request. According to the Budget Office, this requirement is difficult as the privatization

contractors generally do not delineate which of their employees are subcontractors. Section 4 also extends reporting requirements to include those privatization contracts executed by the State after June 30, 2007.

The amendment also removes references to privatization contract subcontractors, but includes a provision that the annual report be posted each year on the State's transparency portal by December 1.

Under section 6 of this article, the Governor increases the threshold for the public reporting and disclosure of state government consultant contracts from \$100,000 to \$150,000, and requires the disclosure of these contracts annually by October 1, rather than quarterly, and changes the reporting entity from the Office of the Secretary of State to the Budget Office. The amendment also requires the report be filed annually on the State's transparency portal by December 1.

Finally, under section 7 of this article, the Governor eliminates the requirement that all state agencies report to the Budget Office and to the chairpersons of the Senate and House Finance Committees, on a quarterly basis, all non-state employee consultant services purchased in the agency. The section also eliminates the 5.5 percent assessment on state expenditures for non-state employee services. The assessment is deposited into the State Retirement Trust. According to the Budget Office, the 5.5 percent surcharge yielded \$434,677 in FY2013 and \$82,966 during the first quarter of FY2014.

State Property Rental and Lease Agreements: Section 5 of this article eliminates the oversight authority of the General Assembly to approve lease and rental agreements. Currently, the State Properties Committee is required to obtain General Assembly approval before the Committee can enter into any new lease, rental agreement, or extension of a rental agreement for leased office or operating space having a rental term of 5 years or longer, where the State is the tenant and the aggregate rent exceeds \$500,000. These terms were enacted as a means for the General Assembly to control escalating rental and lease costs incurred by State agencies. The Governor eliminates this requirement citing difficulty to gain necessary approvals when the General Assembly is in recess.

Article 18: Relating to Government Reorganization

This article makes the following changes to the organization of state government:

- Establishes the Rhode Island Emergency Management Agency (RIEMA) as a separate agency. Currently, RIEMA and the RI National Guard comprise Military Staff.
- Transfers administrative responsibilities associated with the Low Income Home Energy Assistance Program (LIHEAP) Enhancement Plan (“Henry Shelton Act”) from the Office of Energy Resources (OER) to the Department of Human Services (DHS), completing the transfer of the LIHEAP program from OER to DHS that began in FY2012.
- Formally establishes in law an Office of Technical and Customer Assistance in the Department of Environmental Management (DEM) to support current efforts underway to improve customer service and performance through the Lean Initiative.

FISCAL IMPACT

- The separation of RIEMA from Military Staff is not anticipated to require additional funding as 32.0 FTE positions associated with RIEMA will transfer from Military Staff to the new agency. The Department’s FY2015 general revenue budget is approximately \$550,000 less than the FY2014 enacted level (\$2.6 million all funds reduction). However, within its capital budget, the Governor recommends approximately \$30,000 in RICAP funds to conduct a feasibility study for a new emergency management building.
- The transfer of the administrative responsibilities associated with the LIHEAP Enhancement Plan is not anticipated to generate any fiscal impact. The funds and FTE positions associated with this program were included in earlier budgets.
- The formal establishment of DEM’s Office of Technical and Customer Assistance is not anticipated to generate any fiscal impact as the Office will continue at current FTE position levels and funding.

ANALYSIS AND BACKGROUND

Rhode Island Emergency Management Agency

RIEMA is responsible for planning and implementing all hazard preparedness programs at the state level as well as providing support at the local level. While RIEMA has historically been a standalone agency, since 2000 it operated as a program within Military Staff.

The Governor separates RIEMA from Military Staff, proposing RIEMA can more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions.

This proposal reflects a separation in terms of budgetary and organizational structure, but it does not reflect a change in physical location. To address this issue, the Governor recommends approximately \$30,000 in RICAP funds in FY2014 to complete a feasibility study for a new facility, with construction to potentially begin in FY2015 through FY2017. This project will be supported by federal funds (\$3.7 million) and RICAP funds (\$3.7 million).

Analyst’s Note: State-level emergency management agencies across the country may be combined with other public safety functions and offices or as a standalone agency. Within New England, Massachusetts is the only state with its Emergency Management Agency as an agency separate from other public safety functions, such as homeland security or public protection.

Low Income Heating Assistance Program (LIHEAP) Enhancement Plan

The FY2013 Budget as Enacted formally transferred all authority and financial resources for LIHEAP from OER to DHS, including 9.0 FTE positions in accordance with current law passed by the 2011 General Assembly. The initial transfer was part of a larger effort to centralize direct benefit social service programs at DHS. The Governor's current proposal to transfer administrative responsibilities associated with the Enhancement Plan is consistent with this effort.

LIHEAP provides heating assistance to eligible low-income individuals and families. The LIHEAP Enhancement Plan, created by the General Assembly in FY2012, supplements the primary heating assistance program. Unlike the LIHEAP program, which is funded entirely with federal funds, the LIHEAP Enhancement Plan program is funded through a monthly assessment on every National Grid electric and gas customer and is used to augment the pool of federal aid available to National Grid customers who may be eligible to receive a credit on their gas or electricity bill. Funds are paid directly to the energy vendor and appear as a credit to eligible program participants.

In 2013, the Enhancement award was \$150, and primary LIHEAP awards ranged from \$350-\$450 per household (average was \$390). In 2013, the LIHEAP primary program provided heating grants to 37,000 families, and 18,065 people qualified for the Enhancement. DHS will now be responsible for the full administration of the program including being the responsible agency during the annual regulatory review of the program with the Public Utilities Commission.

DEM – Office of Technical and Customer Assistance

This article codifies in law the Office of Technical and Customer Assistance within the DEM as part of its efforts to improve customer service. Beginning in 2011, DEM's Bureau of Environmental Protection undertook a Lean Government Initiative to assess and review regulatory and permitting processes within the Department. The Department continues to expand this initiative to other program, and the formal establishment of this Office is consistent with that process.

Article 19: Relating to Executive Office of Commerce

This article delays the creation of the Executive Office of Commerce (EOC) from February 1, 2015, to July 1, 2015; eliminates the April 1, 2015, transfer of the Office of Regulatory Reform from the Office of Management and Budget to the Executive Office of Commerce; delays the transfer of the Department of Business Regulation functions to the EOC from February 1, 2015, until July 1, 2015; and delays the transfer of the Housing and Community Development office to the EOC until September 1, 2015.

FISCAL IMPACT

There is no anticipated fiscal impact from the proposal.

ANALYSIS AND BACKGROUND

The General Assembly created the Executive Office of Commerce by enacting Public Law 2013 Chapter 489 (2013-S-1048). The new executive office was to be established on February 1, 2015, to coincide with the beginning of a new Governor's term and would be led by a Secretary of Commerce, appointed by the Governor. The new office would absorb the Department of Business Regulation, the Office of Regulatory Reform, and functions related to Housing and Community Development, as well as the newly reconstituted Rhode Island Commerce Corporation. The Secretary of Commerce would be responsible for unifying and directing functions that relate to the state's economy and the new office would become the state's lead agency for economic development and commerce promotion.

The Governor delays the creation of the Executive Office of Commerce (EOC) along with the scheduled transfer of Department of Business Regulation functions and the Housing and Community Development office, to provide the next Governor time to review the public law.

The Governor recommends that the Office of Regulatory Reform remain within the Office of Management and Budget as it appears to function properly in its present location.

Article 20: Relating to Board of Education

This article establishes a new governance structure for the State's public education system from Pre-K through higher education. The article redefines the duties and responsibilities of the Board of Education, and increases its membership from 11 to 15. It establishes the Council on Pre K-12 Education and the Council on Postsecondary Education. The article delegates specific authority to the Presidents of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. This article establishes the Office of Postsecondary Commissioner in place of the Office of Higher Education, and eliminates the Executive Committee of Education that was established in the FY2013 Budget as Enacted.

FISCAL IMPACT

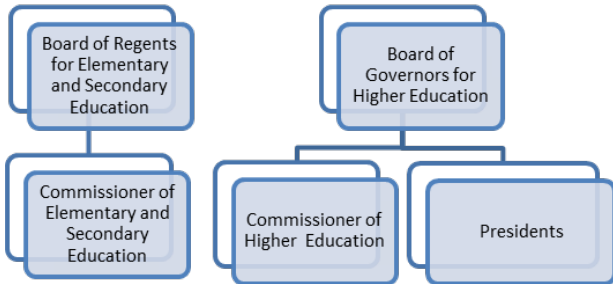
This article renames the Office of Higher Education to the Office of the Postsecondary Commissioner. Responsibilities, funding, and FTE levels remain the same.

ANALYSIS AND BACKGROUND

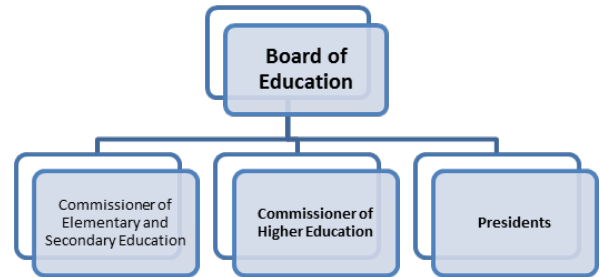
The FY2013 Budget as Enacted made the following changes to higher education governance in order to enhance coordination between higher and lower education, to close the skills gap, and to make high school and college graduates more competitive and marketable:

- Established a new Board of Education, consisting of 11 members appointed by the Governor with the advice and consent of the Senate.
- Authorized the Board of Education to appoint the Commissioner of Elementary and Secondary Education and the Commissioner of Higher Education.
- Maintained the statutory responsibilities of the Department of Elementary and Secondary Education, the Commissioner of Elementary and Secondary Education, and the Commissioner of Higher Education.
- Provided for an Executive Committee of Education to develop recommendations for the Board of Education. The Committee is composed of the President of URI, the President of Rhode Island College, the President of CCRI, the Commissioner of Higher Education and the Commissioner of Elementary and Secondary Education.
- Required the newly established Board of Education to draft a plan to restructure the administration of higher education and to submit the plan to the Governor and the General Assembly, by July 1, 2013. The report was submitted in December 2013.
- Abolished the Office of Higher Education by July 1, 2014.

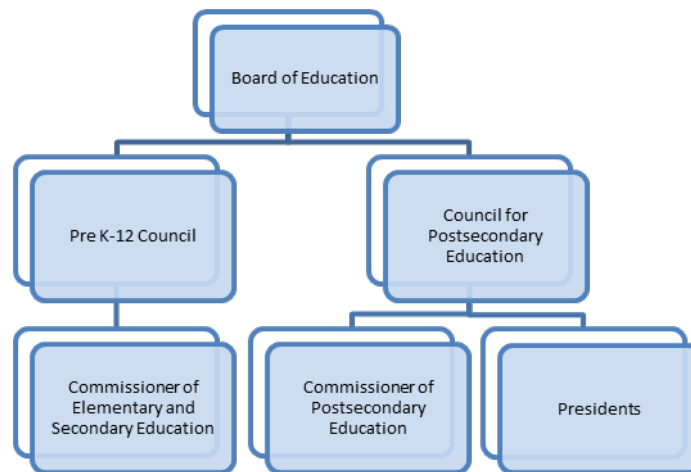
Pre-FY2013



FY2013 Budget as Enacted



Article 20 Changes to Education Governance Structure



In order to continue and complete the restructure of education governance, this article makes the following modifications to the changes enacted in FY2013:

Board of Education: Maintains a single Board of Education, with powers and duties set forth in RIGL 16-97-.2, including adopting a strategic plan and setting system-wide goals and priorities for the entire public education system, and holding the system accountable for performance. The Board of Education is responsible to coordinate and increase efficiencies throughout the education system so that workforce skills are strengthened. The Board will also provide leadership on issues such as:

- College and career readiness, focusing on reducing remedial instruction
- Implementation of Common Core Standards, especially teacher preparation, assessment and evaluations
- Driving policy to promote post-secondary success, e.g., dual enrollment, degree in 3, credit for work experience, performance and incentive financing
- Adult education and certificate programs offered by secondary schools and the community college

Councils: Creates the Pre K-12 Council and the Council on Postsecondary Education, each comprised of seven members, who also serve on the Board of Education.

The Pre K-12 Council will have duties and responsibilities per RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents for Elementary and Secondary Education. It will be required to formulate policy for early, elementary and secondary education including:

- Adopt standards
- Implement and enforce regulations
- Exercise general supervision over elementary and secondary education
- Distribute aid to local education authorities
- Appoint a Commissioner

The Council on Postsecondary Education will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education, including:

- Ensuring institutional accountability
- Supporting accreditation
- Granting tenure
- Appointing the Commissioner of Postsecondary Education and the college and university presidents
- Overseeing tuition, budget, and capital financing
- Assuring credit portability and recovery
- Promoting alignment and efficiencies among the institutions

Delegated Authority: Delegates the following responsibilities and duties, previously held by the Board of Governors for Higher Education, and later the responsibility of the Board of Education, to the State's public college and university presidents:

- Ability to create and consolidate departments, divisions, programs and courses of study within the school with the assistance of the Commissioner of Postsecondary Education
- Adopt a budget and submit it to the Council on Postsecondary Education
- Manage property
- Recommend tables or organization to the Council on Postsecondary Education
- Submit an annual report to the Office of the Postsecondary Education, for presentation to the Council for Postsecondary Education, which provides information regarding the tenure, ethnicity, rank and gender of the faculty. The report will also include a report on current student enrollments for each class at the school by race, gender, academic department, outreach program, guarantee admissions program and the current levels of funding and staff of support for each of these programs.

Office of the Postsecondary Commissioner: Creates an Office of the Postsecondary Commissioner to take the place of the Office of Higher Education, which will be abolished July 1, 2014. The Office will have the same duties and responsibilities as the Office of Higher Education, and the Governor recommends the same 12.8 FTE positions for the Office of Postsecondary Education, consistent with the staffing levels as the existing Office of Higher Education.

Article 21: Relating to Transportation

This article requires the Department of Transportation (RIDOT) to use motor fuel tax revenue for the initiatives listed below. This revenue had previously been used to pay debt service expenses, but since FY2013 is being shifted incrementally to the general fund in the Department of Administration.

- Statewide Bridge Rehabilitation Program
- Drainage Preservation Program
- Vehicle Equipment Replacement Plan

This article also requires \$10.0 million from funds available in the Intermodal Surface Transportation Fund be used for a preventative maintenance, preservation, and replacement program to address the condition of all state-maintained bridges in both FY2015 and FY2016.

FISCAL IMPACT

Article 21 dedicates \$100.0 million of existing RIDOT resources over six years for a statewide bridge rehabilitation program, \$3.0 million over six years for a drainage preservation program, and \$6.0 million over six years for the purchase of heavy equipment.

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Total
Statewide Bridge Program ¹	\$10.0	\$15.0	\$15.0	\$20.0	\$20.0	\$20.0	\$100.0
Drainage Preservation Program	0.5	0.5	0.5	0.5	0.5	0.5	3.0
Vehicle Equipment Replacement Plan	1.0	1.0	1.0	1.0	1.0	1.0	6.0
Total	\$11.5	\$16.5	\$16.5	\$21.5	\$21.5	\$21.5	\$109.0

\$ in millions.

¹Includes \$10.0 million in both FY2015 and FY2016 from the Intermodal Surface Transportation Fund.

The Governor's Rhode Island Capital Plan includes additional funds for the Drainage Preservation Program and the Vehicle Equipment Replacement Program; however, this article does not commit this funding.

ANALYSIS AND BACKGROUND

The 2012 General Assembly recognized the need to address the ongoing shortfall in operating revenues of the Department of Transportation. The State's gas tax, a declining source of revenue, had been used as the primary source of funds to repay debt costs, as well as all the source of funds for maintenance activities, including winter operations and highway preservation. The General Assembly took the following initiatives to reduce the Department's debt service payments, thereby freeing up gas tax revenue for use for operating expenses.

Assess a surcharge on vehicle registrations and driver's licenses to be used, along with Rhode Island Capital Plan (RICAP) funding, to match federal highway funding, eliminating the need to bond for the State match. The ballot in November 2012 did not include a bond referendum for transportation as had been common practice in years past, and the balance available from previous general obligation bonds is anticipated to be depleted by FY2015.

Decrease debt service expenses by shifting the Department's debt service costs to general revenue within the Department of Administration (DOA) budget. This shift is scheduled to occur over the next 20 years, in \$10.0 million annual increments, until all transportation debt service costs are allocated to DOA. These payments will increase over time, reaching a high of \$41.7 million before reduction and

eventual elimination in FY2034 as the previously-issued general obligation bonds are extinguished and no further bonds are issued to provide state match.

Shift debt service in FY2013 through FY2030 from RIDOT to DOA, through the use of Build America Bonds, resulting in a refund of interest that would have otherwise been paid on a standard bond issue (\$1.9 million in FY2015).

Existing debt service was refinanced, saving \$10.9 million in FY2013, \$6.5 million in FY2014, and \$4.1 million in FY2015, and eliminating spikes in debt service costs over time.

Department of Transportation - Effect of Governor's Transportation Initiative on New Available Gas Tax Revenue								
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Total Debt Service ¹	\$44.4	\$41.6	\$47.9	\$50.6	\$50.2	\$41.6	\$40.6	\$36.4
General Revenue	(8.0)	(9.3)	(19.3)	(29.3)	(39.3)	(39.7)	(38.7)	34.6
Build America Bonds Grant	(2.0)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Debt Service to be paid by Gas Tax	34.4	30.5	26.8	19.5	9.1	-	-	-
<i>Change in Debt Service</i>	-	(2.8)	6.3	2.7	(0.4)	(8.6)	(1.0)	(4.1)
Available Motor Fuel Tax Revenue	10.0	14.0	14.8	28.4	41.6	50.2	41.6	40.6
Governor's Transportation Initiatives ²	-	1.0	12.9	18.5	19.0	24.5	24.5	24.5
Additional gas tax available for department operations	\$10.0	\$13.0	\$1.9	\$9.9	\$22.6	\$25.7	\$17.1	\$16.1

¹ Includes increase/decrease resulting from debt restructuring in FY2013.

² Includes additional funds provided in the Governor's Capital Budget recommendation.

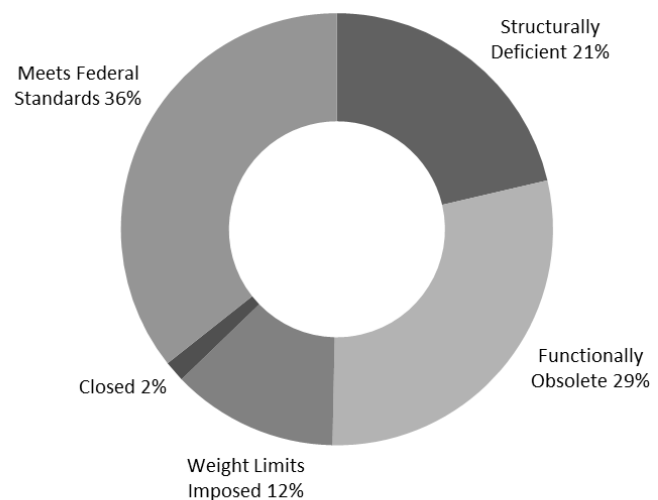
\$ in millions. Totals may vary due to rounding.

The Governor proposes to redirect funds freed up from decreased debt service costs to three initiatives, which have previously appeared in RIDOT's Capital Budget Request.

Statewide Bridge Rehabilitation: The Governor recommends \$80.0 million in motor fuel tax revenue and \$20.0 million from other funds, through FY2020, to help eliminate the current backlog of structurally deficient bridges.

The federal government requires that states meet a standard of 10.0 percent or less of National Highway System bridges be classified as structurally deficient. A state with greater than 10.0 percent structurally deficient for three consecutive years can face penalties and be compelled to dedicate an increased share of federal funds to bridge projects. To address this objective, RIDOT has recently developed a ten-year Better Bridges Program, which indicates that an additional \$40.0 million annually would be required to meet the federal standard. Without additional funding, the Department

**National Bridge Inventory (NBI):
Classification of Rhode Island Bridges¹**



¹NBI evaluates bridges 20 feet in length or greater.

estimates that 31.0 percent of the National Bridge Inventory in Rhode Island would be classified as structurally deficient within a ten-year period. These funds will allow the State to reduce that number to 24.0 percent, a decrease of 7.0 percentage points. Currently, 21.4 percent of the State's National Bridge Inventory is classified as structurally deficient, and the average age of bridges in Rhode Island is 50 years.

Highway Drainage Preservation: The Governor recommends \$500,000 in FY2015 from gas tax revenues to establish a Highway Drainage Preservation program. Funding is to increase by \$500,000 each year, reaching \$2.5 million in FY2019. The State has approximately 25,000 catch basins, and federal law mandates that they be inspected on an annual basis and cleaned as needed. Currently, approximately 1,000 of these basins are inspected and cleaned annually. As catch basins fill with sand and other sediments, they become ineffective and cause pooling at low points on roadways. Additionally, when storm water is not appropriately handled by the catch basins, runoff can cause additional pollution when reaching bodies of water, including groundwater, wetlands and rivers. The Department estimates that an initial investment of \$500,000 per year would increase the number of catch basins serviced annually by 300, depending on the condition of the basin.

Vehicle Equipment Replacement Plan: The Governor recommends \$12.4 million in gas tax revenue, along with \$12.5 million in RICAP funding, between FY2015 and FY2019, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Vehicle Replacement	FY2014	FY2015	FY2016
Heavy 6-wheel Dumps	5	4	4
Heavy 10-wheel Dumps	7	6	3
Tractor	2	3	2
Sweeper	3	2	3
Backhoe	1	1	1
Bucket Truck	1	1	2
Light Tower Truck	1	1	0
Stetco (Vacuum) Hydraulic Truck	2	1	2
Tanker	1	2	1
Truck Mounted Attenuators	2	1	2
Loader	0	1	1
Welding	0	1	0

According to the Department, the proposed replacement plan would require \$5.6 million in FY2014, \$5.3 million in FY2015, and \$5.6 million in FY2016, which is more than recommended by the Governor (\$3.4 million in FY2014, \$4.9 million in FY2015, and \$5.0 million in FY2016).

Article 22: Relating to Legal Notices

This article establishes a new method by which statutorily required legal notices and advertisements may be posted. The article does not propose any changes to current statutes concerning public notices. The article also requires the Department of Administration to promulgate rules and regulations to implement the new public posting provisions, and establishes the Office of the Attorney General as the entity to process any complaints from aggrieved individuals regarding the posting of these public notices.

FISCAL IMPACT

The fiscal impact is indeterminable at this time. However, fewer postings of these notices in newspapers should decrease expenses for State, local, and other public bodies.

ANALYSIS AND BACKGROUND

State and municipal government entities, as well as other public bodies are statutorily required to post legal notices and advertisements within various newspapers throughout the State. Passage of this article authorizes the State, municipalities, and other public bodies to post required notices online, rather than posting the notices in newspapers. According to the State's Office of Management and Budget, the reason for the change is that trends show increasing in-home and mobile device internet usage while the use of print media is declining.

In addition, this article requires the Department of Administration to promulgate rules and regulations concerning the implementation of the new chapter within 120 days after passage of this article. The article also designates the Office of the Attorney General as the agency to investigate allegations of violations of this chapter and is authorized to file complaints in Superior Court on behalf of parties aggrieved as a result of a violation of this chapter.

Article 23: Relating to Licensing of Hospital Facilities

This article reinstates the annually-enacted Hospital License Fee at the rate of 5.246 percent upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2012, except for those hospitals located in Washington County, Rhode Island. Through a pending waiver application submitted to the Centers for Medicare and Medicaid Services, Washington County hospitals' license fee is discounted by 37.0 percent, lowering the rate paid by Westerly and Newport Hospitals to 3.305 percent. These license fees are payable by July 13, 2015.

FISCAL IMPACT

The fee is expected to raise \$141.3 million in revenue, consistent with the amount levied by the FY2014 Budget as Enacted.

ANALYSIS AND BACKGROUND

The hospital license fee is a provider tax that the State levies to collect revenue from hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with additional federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program.

Fiscal Year	Rate	Revenue
2007	3.560%	\$66.8
2008	3.480%	73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	141.3
2015*	5.246%	141.3

**Proposed*

\$ in millions

Though the State's largest hospitals are non-profit and do not pay corporate income taxes, the hospital license fee has become a considerable source of revenue for the State since its substantial increase in FY2009.

Article 24: Relating to Hospital Uncompensated Care

This article establishes the authority for the Disproportionate Share Hospital (DSH) program for federal fiscal year 2015 (state fiscal year 2016) at a maximum aggregate payment of \$128.3 million (from all sources of funds). It also repeals the statutory requirement for Upper Payment Limit (UPL) payments to be made annually to hospitals.

FISCAL IMPACT

Article 24 sets a maximum all-funds limit for DSH payments to community hospitals in FY2015 of \$128.3 million. DSH payments by the state are matched by the federal government at the prevailing Medicaid match rate (the federal medical assistance percentage, or FMAP). The Governor includes \$65.4 million in general revenue funding for DSH payments to hospitals in FY2015, inclusive of a \$1.4 million general revenue payment to the State's public hospital, Eleanor Slater Hospital.

The article also eliminates the UPL payment resulting in general revenue savings of \$5.5 million in FY2015.

ANALYSIS AND BACKGROUND

Rhode Island's community hospitals receive payments from the Executive Office of Health and Human Services (OHHS) and the federal government for uncompensated care they provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments.

Under current law (RIGL 40-8.3-3), DSH payments are distributed to hospitals based on the ratio of each hospital's uncompensated inpatient care costs to the total uncompensated inpatient care costs for all hospitals. "Uncompensated care costs" are defined as the sum of the costs to each hospital for care attributable to charity care (free care or bad debt) and the hospital's "Medicaid losses" (the difference between the cost of care provided to Medicaid beneficiaries and Medicaid reimbursements) times the uncompensated care index. The "uncompensated care index" is a percentage adjustment intended to account for any growth between the base year and the current year. For FFY2015, the article sets the index to 5.3 percent (the same as in FFY2014).

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

The State has historically made annual DSH and UPL payments to hospitals each year. Last year's General Assembly made the UPL payment a statutory requirement but this Article repeals that requirement effective July 1, 2014. Furthermore, the FY2015 proposed budget does not include a UPL payment, which would total approximately \$5.5 million general revenue (\$11.1 million all funds).

Article 25: Relating to Medical Assistance

This article grants the Executive Office of Health and Human Services (OHHS) the authority to make changes to the Medicaid program, including freezing Medicaid rates paid to hospitals and nursing homes and reducing anticipated increases to rates paid to managed care organizations. It implements program efficiency and integrity initiatives that improve service delivery to adults with disabilities and children with special healthcare needs and seeks to take advantage of opportunities for enhanced federal funding available through the Affordable Care Act. Finally, the article introduces cost share requirements upon those eligible for Medicaid through the Katie Beckett program.

FISCAL IMPACT

The Governor includes \$31.6 million general revenue savings (\$57.1 million all funds) from the Medicaid program changes included in this article. The following table shows their respective budgetary savings by impact.

Impact	Proposed Changes to the Medicaid Program	General Revenue	All Funds
Client Impact	Katie Beckett Cost Sharing	(\$1.5)	(\$2.9)
Provider Impact	Managed Care Capitation Rate Reduction	(10.8)	(21.7)
	Eliminate Hospital Rate Increase	(3.9)	(7.9)
	Eliminate Nursing Home Rate Increase	(3.7)	(7.5)
Program Efficiencies	Reduce Health Care Utilization: Children/Special Needs	(5.5)	(11.1)
	Reduce Health Care Utilization: Adults with Disabilities	(2.6)	(5.2)
Cost Shift to Federal Funds	Community First Choice Program	(3.0)	-
	Qualified Health Plan Coverage for Pregnant Women	(0.6)	(1.2)
Program Expansion	Extended Family Planning	0.2	0.4
Total		(\$31.6)	(\$57.1)

\$ in millions

Other initiatives included elsewhere in the Governor's budget bring total Medicaid program reductions to \$42.9 million (\$78.8 million all funds).

ANALYSIS AND BACKGROUND

Client Impact

Katie Beckett Cost Share: OHHS seeks to implement an income-based monthly cost sharing requirement upon families with income above 250 percent of the federal poverty level (FPL) whose children are eligible for Medicaid through the Katie Beckett program. Through this program, severely disabled children who require a level of care that would ordinarily be provided in an institution are able to be cared for at home through an array of Medicaid-funded supports such as private duty nursing, personal care, and special education services.

While the program currently has no cost-share requirements for families, regardless of income, this new provision would make the program's cost share more consistent with that of the RItE Share program, which imposes co-shares upon families with income above 150 percent FPL. An estimated 970 of the

1,058 Katie Beckett families would be impacted, resulting in savings of \$1.5 million (\$2.9 million all funds).

Since children qualify for the Katie Beckett program by criteria other than family income, OHHS does not have family income data for program participants. In the absence of this information, the Office estimated savings based on a flat \$250 monthly cost-share, which is approximately 5.0 percent of income for a family of four with income at 250 percent of FPL. Though the savings were calculated based upon a flat proxy, the Office intends that the actual premium cost-share be income-based. The cost-share will be established by the programs' rules and regulations and will require CMS approval.

Katie Beckett is considered an "optional" Medicaid coverage group in that the Centers for Medicare and Medicaid Services (CMS) does not require the State to extend benefits to this population. The Rhode Island Katie Beckett program does not limit enrollment, though most other state programs include an enrollment cap.

Medicaid Premiums by Family Income and Program			
Family Income	RIte Share	Katie Becket	Katie Beckett
		(Current)	(Proposed)
Up to 150% FPL	\$0	\$0	\$0
150% - 185%	\$61	\$0	\$0
185%-200%	\$77	\$0	\$0
200%-250%	\$92	\$0	\$0
Above 250%	Ineligible	\$0	Income-based

There are currently no premiums or copays for those enrolled in the program.

Approximately 85-90 percent of Katie Beckett children have commercial insurance as their primary insurance and use their Medicaid coverage to cover copays and services not provided through commercial insurance. Though their commercial coverage covers the cost of hospital care, physician services, and medications, costs for specialized services not available or accessible through their commercial health plans averaged over \$2,000 per month in FY2011. The top service categories for these "wrap" services include private duty nursing, personal care, special need and special education services, and pharmacy co-pays.

Provider Impact

Managed Care Capitation Rate Reduction: The Governor reduces Medicaid managed care monthly capitation rates by 2.95 percentage points from the anticipated expense trend for FY2015 for RIte Care and Rhody Health Partners, for savings of \$10.8 million (\$21.7 million all funds).

This is the third consecutive year that managed care capitation rates have been adjusted outside of the Caseload Estimating Conference, at which OHHS has testified to actuarially sound rates based upon the recent claims experience.

This initiative will impact managed care organizations (MCOs) Neighborhood Health Plan of RI and United Healthcare. The Budget Office notes that should capitation rates paid be insufficient to cover the cost of care actually delivered during the year, the contracted risk share/gain share provision will require the State to share in that loss and make additional payments to MCOs. In this way, these initiatives expose the State to future possible risk share payments.

Analyst's Note: The State's managed care partners have an increasing role in the management of Medicaid care and services. This is particularly the case with the implementation of the Integrated Care Initiative, in which Neighborhood Health Plan (NHP) has been engaged to integrate primary and acute care with long term care services on a capitated basis for those eligible for both Medicare and Medicaid. While this rate reduction initiative represents a direct revenue loss to NHP, the Governor's proposal to freeze hospital and nursing home rates will also impact NHP.

Eliminate Hospital Rate Increase: This article provides the authority to suspend the scheduled rate increase for inpatient and outpatient hospital services in FY2015 in both the fee-for-service and managed care environments.

Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2015, however, this adjustment is suspended as it was in FY2014. Therefore, for the second year, charges for hospital services are limited to the rates that were in effect in FY2013. The Governor's FY2015 budget includes savings of \$3.9 million (\$7.9 million all funds) for this initiative.

Analyst's Note: This reduction to hospital payments is in addition to those included in Article 24, which eliminates the Upper Payment Limit (UPL) payments to hospitals in FY2015. Together, these two proposals represent a \$18.9 million reduction in statewide hospital revenue, impacting individual hospitals as follows:

Hospital	Eliminate UPL Payment	Freeze Hospital Rates	Total
Butler	-	(\$232,796)	(\$232,796)
Kent	(816,097)	(636,161)	(1,452,258)
Women and Infants	(1,269,573)	(1,444,869)	(2,714,442)
Care New England	(\$2,085,670)	(\$2,313,826)	(\$4,399,496)
Bradley	-	(412,486)	(412,486)
Miriam	(1,166,100)	(464,319)	(1,630,419)
Newport	(363,625)	(167,383)	(531,008)
Rhode Island Hospital	(4,081,858)	(2,811,066)	(6,892,924)
Lifespan	(5,611,583)	(3,855,254)	(9,466,837)
Roger Williams	(742,415)	(300,306)	(1,042,721)
St. Joseph	(630,418)	(321,068)	(951,486)
CharterCARE	(1,372,833)	(621,374)	(1,994,207)
Landmark	(596,869)	(322,800)	(919,669)
Memorial	(1,031,923)	(528,159)	(1,560,082)
South County	(186,691)	(87,678)	(274,369)
Westerly	(110,591)	(76,207)	(186,798)
Rehab	(56,277)	(21,557)	(77,834)
Other	(1,982,351)	(1,036,401)	(3,018,752)
Total	(\$11,052,437)	(\$7,826,855)	(\$18,879,292)

According to data provided by the Hospital Association of Rhode Island, overall profit margin for the State's hospitals has been between 0.3 percent and 0.5 percent since FY2007, with eight of the State's fourteen community hospitals experiencing negative profit margins in FY2011. The average profit margin for hospitals in the Northeast is between 2.0 and 3.0 percent and nationally between 5.0 and 7.0 percent.

Eliminate Nursing Home Rate Increase: Under this article, payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will not be adjusted by the change in the national nursing home inflation index. This adjustment was to be made on October 1, 2014, but is suspended for FY2015. The Governor's FY2015 budget includes general revenue savings of \$3.7 million (\$7.5 million all funds) for this initiative.

The FY2014 Budget as Enacted also suspended this adjustment and included savings of \$3.9 million (\$7.8 million all funds).

Of the approximately 28,000 Medicaid-eligible elderly individuals in Rhode Island, 21.0 percent, or approximately 5,000, reside in the State's 84 long term skilled nursing facilities (nursing homes). Their residential costs are budgeted at \$179.3 million (\$361.4 million all funds) in the FY2014 Budget as Enacted. Despite efforts through the Global Waiver to rebalance the State's long term care system and build community-based supports that will enable people to remain in their homes rather than enter nursing homes, these efforts have been largely unsuccessful.

Prior to current reform efforts, nursing homes had been paid for providing care to Medicaid beneficiaries for 30 years according to a set of cost-based "principles of reimbursement." Because the reimbursements were based on each facility's cost, the per diem rates paid by Medicaid varied from facility to facility rather than from resident to resident. The FY2011 Budget as Enacted required OHHS to modify the principles of reimbursement to include an adjustment to the rates for each facility based on the acuity (severity of medical need) of its residents so that ultimately an individual's care would cost the same no matter which nursing home delivered their care.

Prior to the full implementation of acuity-based rates, however, OHHS has begun implementing the Integrated Care Initiative. For those individuals included in the initiative, OHHS no longer pays for nursing home care on a fee-for-service, per diem basis. Rather, OHHS pays a single monthly rate to Neighborhood Health Plan of RI that integrates both the medical and nursing home care of each individual.

Analyst's Note: This freeze would be made to the per diem rates paid to nursing homes through the fee-for-service (FFS) system. However, since the implementation of the Integrated Care Initiative, only a small portion of nursing home care is paid through FFS, and the monthly rates paid to NHP do not include the inflator that this article freezes.

Program Efficiencies

High Cost Care/Utilization and Intervention: Under this article, high utilizers of health care would be targeted with an array of focused interventions, such as pediatric patient-centered medical homes, an expanded behavioral health care continuum, and reduced use of psychotropic medications in order reduce costs associated inpatient hospitalization and readmissions. The Governor's budget includes \$8.1 million in general revenue savings (\$16.3 million all funds) from this initiative.

This initiative focuses on the top 5.0 percent of utilizers in these populations:

- **Low Income Children and Children with Special Health Care Needs (CSHCN) Enrolled in Rite Care:** While the majority of children have low health care needs and low expenses relative to other populations, OHHS has noted approximately 6,000 children for whom health care expenses are six times the Rite Care average. Most of the associated costs involve frequent inpatient hospitalization and behavioral health needs. This initiative reduces utilization by 3.0 percent through intensive care management such as daily visits for medication administration and through an expanded behavioral health continuum of care.
- **Adults with Disabilities:** As with the children noted above, a small portion of this population drives the majority of the \$260.7 million cost for this population of Medicaid-only adults with disabilities and elderly. Most of the associated costs involve nursing home care, inpatient behavioral health care and inpatient medical care. This initiative reduces utilization of these services through increased supportive housing opportunities, home-based primary care and an expanded behavioral health continuum of care.

Cost Shift to Federal Funds

Community First Choice: OHHS proposes to pursue increased federal matching funds by implementing a Community First Choice (CFC) program to further promote home and community-based alternatives to institution-based long term services and supports, saving \$3.0 million in general revenue funding in FY2015.

The Section 1915(k) Community First Choice State Plan Option has been available to state Medicaid programs since the passage of the Affordable Care Act in 2011. States taking up this option receive a 6.0 percent increase in their federal medical assistance percentage (FMAP) for CFC services. In FY2015, Rhode Island would see federal participation for these services increase from 50.03 percent to 56.03 percent. Unlike other programs recently incentivized by the Centers for Medicare and Medicaid Services, such as Health Homes which offer an enhanced FMAP for eight quarters, the enhanced FMAP for CFC services has no time limit or expiration.

Required CFC services include: services that assist beneficiaries with activities of daily living, instrumental activities of daily living, and health-related tasks, such as bathing, dressing, and meal preparation and administering medication. Specific services are determined following a face-to-face assessment and a self-directed planning process. Backup systems such as beepers or other electronic devices must also be offered in order to ensure continuity of services and supports.

Since OHHS has been developing a robust network of home and community based services for a number of years through the Money Follows the Person initiative and through the Global Waiver, much of the services required for the enhanced CFC match are already offered to eligible participants. The savings in FY2015 are derived primarily from the resultant shift to federal funds.

Qualified Health Plan (QHP) Subsidy for Pregnant and Postpartum Women: OHHS assumes that, beginning in 2015, most women with income between 133 and 250 percent of the federal poverty level (FPL) will be enrolled in a QHP either through an employer or through HealthSourceRI, the State's health benefits exchange, at the time they may become pregnant. This initiative would provide a Medicaid-funded subsidy and wraparound services for these women's existing coverage, with savings derived from the difference between the cost of the subsidy/wrap and the cost of the full Medicaid coverage that they would become eligible for.

The Office plans to wrap women's QHP coverage with complete premium and cost-sharing support. In addition premium savings, savings are anticipated through fewer Medicaid births and NICU expenses, which average approximately \$75.0 million annually.

The Governor's budget includes \$600,000 in general revenue savings (\$1.2 million all funds) from this initiative.

Program Expansion

Extended Family Planning Services: OHHS seeks to expand extended family planning to all women and men with income up to 250 percent FPL at a cost of \$200,000 (\$400,240 all funds).

Currently, extended family planning services are available only to post-partum women with income up to 200 percent FPL and include contraceptive services as well as testing for cervical cancer, sexually transmitted diseases and HIV. While pregnant women are categorically eligible for Medicaid and remain eligible for 60 days post-partum, extended family planning services are available to them for two years post-partum.

This article would expand the current services to include men as well as women and raise eligibility from 200 percent FPL to 250 percent FPL. Rhode Island would be one of 16 states currently providing benefits to men and women.

Analyst's Note: The intent of this expansion is unclear, since, with the advent of the Affordable Care Act, all of these services are available to individuals inside QHP or Medicaid coverage.

Global Waiver Extension: The article seeks authority for OHHS to pursue long term care reforms through a health home care management model, integrated care initiatives, and access to non-medical services and supports. These reforms are included in its Section 1115 Waiver Demonstration Extension, formerly known as the Global Waiver, which is currently pending with the Centers for Medicare and Medicaid Services (CMS).

Through the Extension, the Office seeks to broaden the scope of benefits to address social determinants of health that fall outside of traditional Medicaid benefits. Defining health more broadly, the extension request looks to include funding of wraparound services such as extended family planning, wellness incentives, supportive housing and peer mentoring. It seeks to establish a program to assist customers to access and utilize all benefits all OHHS agencies and to coordinate the Medicaid program with Medicare.

The 1115 Waiver Extension considers the following potential new services:

- Extended family planning that includes counseling and treatment for sexually transmitted infections. The current benefit includes only testing.
- Medicaid matching payments for substance abuse treatment services in facilities with greater than 16 beds. Federal matching payments are currently prohibited for services in these facilities, which are defined as Institutions for Mental Disease (IMDs).
- Incentives that reward healthy behaviors such as weight loss, smoking cessation and stress management.
- Peer mentors and navigators for those transitioning from nursing homes to the community.
- Evidence-based complementary therapies for the management of chronic pain such as chiropractic, acupuncture and massage therapy,
- Emergency department diversion program to treat inebriated individuals at a sobering center rather than hospital emergency departments.
- In-home behavioral health treatment programs for children in or at risk of entering DCYF custody.
- Expanded case-management services for those eligible for both Medicare and Medicaid.
- Supportive services to address housing instability, medication compliance, entitlement counseling, move-in and new tenant assistance, living skills training, job skills training, domestic violence intervention, life satisfaction support groups and other services.

The 1115 waiver extension replaces the federal financing cap with a more customary budget neutrality agreement, whereby federal spending under the waiver will not be more than projected federal spending without the waiver.

The request seeks to reinvest any general revenue savings from a reduction in Disproportionate Share Hospital (DSH) payments that result from the Affordable Care Act into a Delivery System Reform Incentive Payment (DSRIP) program whereby hospitals would receive special payments from Medicaid for participating in projects that successfully reform the State's health care delivery system.

Affordable Care Act: The article grants authority to OHHS to pursue any requirements and/or opportunities established under the Patient Protection and Affordable Care Act of 2010, so long as these actions do not adversely impact beneficiaries or increase expenditures beyond amounts appropriated.

Article 26: Relating to Children, Youth, and Families

This article permits the Department of Children, Youth, and Families (DCYF) to transfer the care of eligible youth ages 19 to 21 with functional developmental disabilities or serious emotional disturbances in residential placements from DCYF to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). Transfers will only be made at the discretion of the DCYF director.

FISCAL IMPACT

This article results in \$1.1 million in general revenue savings for DCYF (\$1.5 million all funds) due to the transfer of eligible youth ages 19 to 21 to BHDDH. It is anticipated that the cost of care will be less in the adult (BHDDH) system versus the youth (DCYF) system, resulting in \$529,392 net general revenue savings to the State. It is expected that transferred youth will continue to qualify for federal Medicaid matching funds (50.03 percent match in FY2015).

BACKGROUND AND ANALYSIS

Current law dictates that if a child is receiving treatment for emotional, behavioral, or mental disorders and has been classified as Seriously Emotionally Disturbed (SED), or has a functional developmental disability, and upon his or her 18th birthday is within the DCYF system, he or she will remain under the care of DCYF until age 21. This article would amend current law and permit DCYF, as deemed appropriate by the director of DCYF, to transfer youth from this population to the State's adult system within BHDDH.

According to the State Budget Office, it costs \$361 per day (approximately \$130,000 per year, per individual) to care for these children within DCYF programming and \$192 per day (approximately \$70,000 per year, per individual) for care within BHDDH programming. According to the Executive Office of Health and Human Services, the cost differential between the two agencies is attributable to DCYF's emphasis on education, compared to BHDDH's emphasis on habilitation and self-sufficiency.

BHDDH would determine whether or not the youth will remain with their current provider and if so, whether or not the same services delivered by DCYF programming will be received.

The Governor's projection assumes 12 youth in DCYF congregate care settings (group homes and residential placements) will transfer to BHDDH. This represents 40.0 percent of the 29 19 to 21 year olds in the Department's Developmental Disability unit as of September 23, 2013. This assumption is based upon the premise that some youth will not be ready for discharge on or by their 19th birthday. However, according to DCYF, most of these youth will qualify for mental health services through BHDDH once their case is no longer open to DCYF, and it may be appropriate for their cases to be transferred to BHDDH before their 21st birthday. This article permits the DCYF director to make that determination on a case-by-case basis.

Analyst's Note: As of the date of this publication, DCYF had in its care 21 youth between the ages of 19-21, rather than the 29 youth upon which these savings were calculated. If fewer than 12 youth are transferred, savings are expected to be less than under the Governor's proposal.

Article 27: Relating to Medical Assistance Recoveries

This article provides the Executive Office of Health and Human Services (OHHS) with the statutory authority for increased and more equitable recovery of Medicaid costs from estates of Medicaid beneficiaries and from third party settlements paid to Medicaid beneficiaries.

FISCAL IMPACT

The Governor's FY2015 budget does not include any savings from this article. However, OHHS anticipates an increase in recovery collections over the long term.

ANALYSIS AND BACKGROUND

Recoveries from Third Party Settlements

As a result of a federal legislative change, beginning October 2014, OHHS will have broader ability to recover payments made to Medicaid beneficiaries from settlements with third parties. Whereas previously the Office could recover Medicaid costs only from that portion of a settlement that was allocated to health care costs, OHHS will now be permitted to recover Medicaid costs from the entire settlement, regardless of whether the settlement covered both medical and nonmedical categories of damages. Nonmedical damages may include settlements allocated to pain and suffering, property damage, or lost wages, for example.

In this way, federal and state Medicaid agencies are allowed first dollar recovery off the top of any settlement with a Medicaid beneficiary. The Congressional Budget Office has estimated that the federal government will save \$1.4 billion over the next ten years through these expanded recoveries.

Life Estate with Powers: Eligibility and Recovery

This article closes a loophole used to avoid having real estate evaluated as an asset when applying for Medicaid as well as from eventual estate recovery by the Medicaid agency.

While OHHS legal staff has seen a marked increase in the use of the life estate with powers deeds to shield real property from the Medicaid agency's eligibility and recovery practices, this article would eliminate life estates as an estate planning strategy for those with substantial assets seeking to qualify for Medicaid long term care.

Recoveries by OHHS

The following table shows OHHS' recovery collections since FY2011.

Fiscal Year	Recovery Collections
2011	\$11,577,264
2012	10,197,175
2013	10,161,860

Article 28: Relating to Education

This article makes the State reimbursement for administrative costs associated with the school breakfast program permissive instead of mandatory, and eliminates the non-public textbook state reimbursement fund.

FISCAL IMPACT

The article generates an estimated \$510,000 in state general revenue savings in FY2015; however, the article is estimated to reduce state support to school districts and charter schools by \$465,052 relative to the FY2014 Budget as Enacted. From the district perspective, however, while the FY2014 Budget as Enacted authorized \$240,000 for non-public textbook reimbursement, only \$195,052 was distributed to the districts based actual district expenditures.

Article 28 Fiscal Impact	
School Breakfast - Eliminate Administrative Support	(\$270,000)
Eliminate Non-Public Textbook Reimbursement Fund	(240,000)
Total General Revenue Impact	(\$510,000)

The table on the following page shows the estimated impact by district based on FY2014 expenditures.

ANALYSIS AND BACKGROUND

The Governor recommends the following changes to education aid:

School Breakfast Program

This article makes the State appropriation of funds for the reimbursement of administrative costs associated with the school breakfast program permissive instead of mandatory. These administrative costs include hiring servers to run the program and encourage participation. Current law requires an annual appropriation even if it does not cover all the expenses.

According to the Department of Elementary and Secondary Education (Department), the statewide food contract established in FY2009 has saved districts approximately \$1.3 million annually in administrative fees.

Non-Public Textbook Reimbursement Fund

This article eliminates the State's reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools. Elimination of this fund would shift the cost of these textbooks to the districts.

According to the Department, though the textbook reimbursement is eliminated, the Governor's FY2015 Budget increases funding for districts to pay for costs associated with the non-public students through the transportation categorical. For districts that participate in the State transportation system, the transportation categorical includes an increase of approximately \$533,000, for a total of \$2.1 million, for costs associated with transporting non-public school students out of district. FY2015 is the fourth year of the phase-in of this categorical; consequently, the \$2.1 million in the budget represents approximately 46.0 percent of actual district cost for non-public transportation.

Local Impact of Article 28 as Compared to FY2014

LEA	Textbook Reimbursement	School Breakfast Reimbursement	Estimated Impact
Barrington	(\$1,460)	(\$133)	(\$1,593)
Beacon Charter School	-	(53)	(53)
Blackstone	-	(558)	(558)
Bristol Warren	(2,769)	(2,212)	(4,981)
Burrillville	(1,471)	(2,361)	(3,832)
Central Falls	(3,844)	(17,819)	(21,663)
Chariho	(2,399)	(2,262)	(4,661)
Coventry	(18,941)	(4,280)	(23,221)
Cranston	(6,919)	(22,529)	(29,448)
Cumberland	(10,126)	(7,435)	(17,561)
Davies	-	(1,762)	(1,762)
East Greenwich	(1,438)	(274)	(1,712)
East Providence	(3,767)	(4,195)	(7,962)
Exeter-West Greenwich	(1,903)	(867)	(2,770)
Foster	(458)	(168)	(626)
Foster-Glocester	(904)	(489)	(1,393)
Glocester	(470)	(817)	(1,287)
Greene School	-	-	-
International	-	(777)	(777)
Jamestown	(211)	(123)	(334)
Johnston	(13,299)	(2,198)	(15,497)
Kingston Hill	-	(111)	(111)
Lincoln	(5,197)	(2,789)	(7,986)
Little Compton	(723)	(95)	(818)
Met School	-	(2,561)	(2,561)
Middletown	(5,203)	(1,409)	(6,612)
Narragansett	(2,374)	(672)	(3,046)
New Shoreham	-	(99)	(99)
Newport	(4,384)	(3,695)	(8,079)
North Kingstown	(13,290)	(2,699)	(15,989)
North Providence	(8,276)	(3,694)	(11,970)
North Smithfield	(3,579)	(1,038)	(4,617)
Pawtucket	(27,899)	(18,727)	(46,626)
Portsmouth	(5,970)	(826)	(6,796)
Providence	(12,195)	(127,021)	(139,216)
Scituate	(2,858)	(242)	(3,100)
Smithfield	(1,719)	(1,101)	(2,820)
South Kingstown	(2,021)	(1,235)	(3,256)
Tiverton	(1,925)	(1,189)	(3,114)
Warwick	(17,686)	(6,054)	(23,740)
West Warwick	(4,491)	(4,335)	(8,826)
Westerly	(1,939)	(3,543)	(5,482)
Woonsocket	(2,944)	(15,553)	(18,497)
Total	(\$195,052)	(\$270,000)	(\$465,052)

Source: Rhode Island Department of Education.

Article 29: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2014, except as otherwise provided herein.



APPENDIX

Summary Tables

GENERAL REVENUE STATEMENT

Opening Surplus	FY2013	FY2014 Enacted	FY2014 Governor	FY2015 Governor
Free Surplus	\$115,187,511	\$93,407,399	\$104,119,715	\$68,862,721
Adjustment to Opening Surplus	-	-	(\$5,585,024)	-
Reappropriated Surplus	7,726,521	-	7,052,524	-
Subtotal	\$122,914,032	\$93,407,399	\$105,587,215	\$68,862,721
Revenues				
Enacted/Actual/Estimated	\$3,323,998,820	\$3,381,008,418	\$3,381,008,418	\$3,338,475,000
November Revenue Estimate	-	-	45,646,582	152,625,305
Governor Changes	-	-	4,246,398	3,411,696
Total Revenues	\$3,323,998,820	\$3,381,008,418	\$3,430,901,398	\$3,494,512,001
To Cash Stabilization Fund	(\$103,175,590)	(\$104,232,475)	(\$105,883,083)	(\$106,901,242)
Total Available Resources	\$3,343,737,262	\$3,370,183,343	\$3,430,605,530	\$3,456,473,481
Expenditures				
Actual/Enacted	\$3,216,046,418	\$3,359,755,123	\$3,359,755,123	\$0
Governor	-	-	(15,186,035)	3,456,087,970
Reappropriations	-	-	7,052,524	-
November Caseload Estimate	-	-	121,197	-
Total Expenditures	\$3,216,046,418	\$3,359,755,123	\$3,351,742,809	\$3,456,087,970
Total Surplus	\$127,690,844	\$10,428,220	\$78,862,721	\$385,512
Transfer to Other Funds	(\$16,518,605)	(\$10,000,000)	(\$10,000,000)	-
Reappropriations	(7,052,524)	-	-	-
Free Surplus	\$104,119,715	\$428,220	\$68,862,721	\$385,512

ALL FUNDS EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from		
				Enacted	FY2015 Governor	Enacted
Administration	\$376,882,855	\$428,701,337	\$448,024,096	\$19,322,759	\$432,514,812	\$3,813,475
Business Regulation	14,707,298	12,989,880	14,676,780	1,686,900	12,976,430	(13,450)
Labor and Training	651,795,888	592,481,112	587,943,283	(4,537,829)	510,802,490	(81,678,622)
Revenue	348,730,714	353,439,739	445,503,425	92,063,686	450,554,219	97,114,480
Legislature	37,045,498	37,791,548	40,222,217	2,430,669	38,016,750	225,202
Lieutenant Governor	1,243,608	2,095,378	2,675,825	580,447	1,089,434	(1,005,944)
Secretary of State	7,313,841	6,952,764	7,047,576	94,812	7,866,955	914,191
General Treasurer	42,696,505	35,407,461	39,260,106	3,852,645	35,153,927	(253,534)
Board of Elections	1,846,513	1,739,361	1,760,405	21,044	4,145,127	2,405,766
Ethics Commission	1,500,568	1,577,204	1,575,940	(1,264)	1,581,205	4,001
Office of the Governor	4,024,335	4,443,513	4,614,074	170,561	4,652,562	209,049
Commission for Human Rights	1,454,143	1,459,423	1,463,433	4,010	1,480,179	20,756
Public Utilities Commission	7,130,573	8,420,293	8,518,927	98,634	8,619,471	199,178
Total	\$1,496,372,339	\$1,487,499,013	\$1,603,286,087	\$115,787,074	\$1,509,453,561	\$21,954,548
Human Services						
Office of Health and Human Services	\$1,664,435,882	\$1,867,935,132	\$1,874,402,672	\$6,467,540	\$2,092,840,275	\$224,905,143
Children, Youth, and Families	209,939,192	213,873,566	216,112,530	2,238,964	209,217,229	(4,656,337)
Health	103,167,181	120,980,759	118,030,124	(2,950,635)	122,600,780	1,620,021
Human Services	631,829,247	662,090,161	671,667,891	9,577,730	655,462,770	(6,627,391)
BHDDH	436,309,308	437,848,408	439,897,397	2,048,989	444,026,610	6,178,202
Governor's Commission on Disabilities	447,357	1,455,336	1,485,612	30,276	1,508,802	53,466
Governor's Commission on the Deaf	371,083	471,609	469,267	(2,342)	474,279	2,670
Office of the Child Advocate	610,133	648,648	625,477	(23,171)	661,817	13,169
Office of the Mental Health Advocate	340,722	486,144	483,716	(2,428)	495,010	8,866
Total	\$3,047,450,105	\$3,305,789,763	\$3,323,174,686	\$17,384,923	\$3,527,287,572	\$221,497,809
Education						
Elementary and Secondary Education	\$1,170,946,470	\$1,225,973,266	\$1,227,529,512	\$1,556,246	\$1,249,201,477	\$23,228,211
Public Higher Education	1,008,387,638	1,057,498,950	1,062,745,645	5,246,695	1,072,723,227	15,224,277
Council on the Arts	3,094,687	2,765,495	2,746,807	(18,688)	3,772,042	1,006,547
Atomic Energy Commission	1,230,680	1,436,731	1,225,471	(211,260)	1,271,174	(165,557)
Higher Education Assistance Authority	25,054,892	26,763,735	24,979,919	(1,783,816)	24,446,961	(2,316,774)
Historical Preservation and Heritage Comm.	1,876,982	3,506,949	4,505,227	998,278	5,102,827	1,595,878
Public Telecommunications Authority	784,886	-	-	-	-	-
Total	\$2,211,376,235	\$2,317,945,126	\$2,323,732,581	\$5,787,455	\$2,356,517,708	\$38,572,582
Public Safety						
Attorney General	\$25,023,767	\$30,400,101	\$43,041,364	\$12,641,263	\$36,503,363	\$6,103,262
Corrections	189,506,984	204,702,527	203,445,374	(1,257,153)	209,574,698	4,872,171
Judiciary	104,012,635	107,624,121	107,492,631	(131,490)	106,494,516	(1,129,605)
Military Staff	40,713,548	43,157,514	49,221,675	6,064,161	19,014,074	(24,143,440)
Emergency Management Agency	-	-	-	-	20,622,227	20,622,227
Public Safety	103,867,362	123,477,749	124,408,992	931,243	127,821,614	4,343,865
Public Defender	10,651,421	11,326,682	11,142,497	(184,185)	11,379,680	52,998
Total	\$473,775,717	\$520,688,694	\$538,752,533	\$18,063,839	\$531,410,172	\$10,721,478
Natural Resources						
Environmental Management	\$67,572,786	\$116,179,523	\$107,492,595	(\$8,686,928)	\$95,827,457	(\$20,352,066)
Coastal Resources Management Council	4,667,950	4,709,906	4,793,768	83,862	4,238,151	(471,755)
Total	\$72,240,736	\$120,889,429	\$112,286,363	(\$8,603,066)	\$100,065,608	(\$20,823,821)
Transportation						
Transportation	\$408,046,202	\$460,249,997	\$478,192,284	\$17,942,287	\$519,227,382	\$58,977,385
Grand Total	\$ 7,709,261,334	\$ 8,213,062,022	\$ 8,379,424,534	\$166,362,512	\$ 8,543,962,003	\$330,899,981

GENERAL REVENUE EXPENDITURES

	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted	FY2015 Governor	Change from Enacted
General Government						
Administration	\$260,904,556	\$264,801,211	\$262,101,671	(\$2,699,540)	\$295,595,931	\$30,794,720
Business Regulation	8,610,843	9,245,878	8,814,930	(430,948)	9,013,477	(232,401)
Labor and Training	7,730,995	9,064,061	9,048,019	(16,042)	9,181,603	117,542
Revenue	94,786,540	102,007,495	101,152,290	(855,205)	102,488,659	481,164
Legislature	35,681,738	36,186,933	38,654,217	2,467,284	36,429,671	242,738
Lieutenant Governor	942,140	986,890	946,501	(40,389)	1,015,084	28,194
Secretary of State	6,810,969	6,497,833	6,477,569	(20,264)	7,337,203	839,370
General Treasurer	2,532,414	2,654,692	2,617,317	(37,375)	2,532,105	(122,587)
Board of Elections	1,846,488	1,739,361	1,760,405	21,044	4,145,127	2,405,766
Ethics Commission	1,500,568	1,577,204	1,575,940	(1,264)	1,581,205	4,001
Office of the Governor	4,024,335	4,443,513	4,614,074	170,561	4,652,562	209,049
Commission for Human Rights	1,131,840	1,150,785	1,146,066	(4,719)	1,193,083	42,298
Total	\$426,503,426	\$440,355,856	\$438,908,999	-\$1,446,857	\$475,165,710	\$34,809,854
Human Services						
Office of Health and Human Services	\$772,296,683	\$843,227,650	\$842,044,257	(\$1,183,393)	\$847,618,499	\$4,390,849
Children, Youth, and Families	150,929,977	152,976,991	152,340,326	(636,665)	148,415,637	(4,561,354)
Health	24,068,601	24,308,001	23,994,615	(313,386)	23,513,130	(794,871)
Human Services	97,459,617	93,479,195	96,610,196	3,131,001	97,273,992	3,794,797
BHDDH	196,900,069	202,091,382	200,935,077	(1,156,305)	201,791,368	(300,014)
Governor's Commission on Disabilities	337,427	357,711	356,352	(1,359)	358,275	564
Governor's Commission on the Deaf	371,083	391,609	389,267	(2,342)	394,279	2,670
Office of the Child Advocate	578,085	608,651	575,477	(33,174)	611,817	3,166
Office of the Mental Health Advocate	340,722	486,144	483,716	(2,428)	495,010	8,866
Total	\$1,243,282,264	\$1,317,927,334	\$1,317,729,283	(\$198,051)	\$1,320,472,007	\$2,544,673
Education						
Elementary and Secondary Education	\$928,462,807	\$964,706,909	\$961,127,886	(\$3,579,023)	\$1,007,205,243	\$42,498,334
Public Higher Education	172,678,735	180,013,795	179,134,843	(878,952)	191,738,963	11,725,168
Council on the Arts	1,561,217	1,335,630	1,317,591	(18,039)	2,340,158	1,004,528
Atomic Energy Commission	829,034	861,710	856,770	(4,940)	913,197	51,487
Higher Education Assistance Authority	5,693,317	4,281,726	4,333,323	51,597	4,281,726	-
Historical Preservation and Heritage Comm.	1,242,950	1,357,510	1,340,796	(16,714)	1,280,610	(76,900)
Public Telecommunications Authority	799,077	-	-	-	-	-
Total	\$1,111,267,137	\$1,152,557,280	\$1,148,111,209	(\$4,446,071)	\$1,207,759,897	\$55,202,617
Public Safety						
Attorney General	\$22,301,954	\$23,656,979	\$24,013,794	\$356,815	\$23,587,146	(\$69,833)
Corrections	184,044,974	185,379,198	186,042,042	662,844	188,725,295	3,346,097
Judiciary	87,871,336	91,681,359	91,405,406	(275,953)	92,421,668	740,309
Military Staff	3,548,304	3,869,983	3,640,037	(229,946)	1,842,096	(2,027,887)
Emergency Management Agency	-	-	-	-	1,959,858	1,959,858
Public Safety	90,408,367	96,361,799	94,644,689	(1,717,110)	95,967,834	(393,965)
Public Defender	10,472,687	11,034,686	10,885,411	(149,275)	11,130,816	96,130
Total	\$398,647,622	\$411,984,004	\$410,631,379	(\$1,352,625)	\$415,634,713	\$3,650,709
Natural Resources						
Environmental Management	\$34,140,929	\$34,756,318	\$34,203,202	(\$553,116)	\$34,870,105	\$113,787
Coastal Resources Management Council	2,205,036	2,174,331	2,158,736	(15,595)	2,185,538	11,207
Total	\$36,345,965	\$36,930,649	\$36,361,938	(\$568,711)	\$37,055,643	\$124,994
Grand Total	\$3,216,046,414	\$3,359,755,123	\$3,351,742,808	(\$8,012,315)	\$3,456,087,970	\$96,332,847

FEDERAL FUNDS EXPENDITURES

General Government	FY2012 Actual	FY2013 Enacted	FY2013 Governor	Change from Enacted	FY2014 Governor	Change from Enacted
Administration	\$64,385,781	\$25,578,339	\$66,041,287	\$40,462,948	\$53,606,544	\$28,028,205
Business Regulation	2,726,596	2,719,081	3,433,208	714,127	1,747,589	(971,492)
Labor and Training	205,099,595	111,743,981	94,713,891	(17,030,090)	39,784,891	(71,959,090)
Revenue	1,472,179	2,450,709	2,897,330	446,621	3,048,651	597,942
Lieutenant Governor	120,324	129,737	131,439	1,702	139,108	9,371
Secretary of State	52,872	-	2,566	2,566	-	-
General Treasurer	1,199,276	1,159,712	1,099,497	(60,215)	1,130,422	(29,290)
Board of Elections	50,000	-	-	-	-	-
Public Utilities Commission	307,914	321,795	348,421	26,626	166,818	(154,977)
Office of the Governor	(1)	22,163,245	-	(22,163,245)	-	(22,163,245)
Commission for Human Rights	314,993	325,992	306,688	(19,304)	308,638	(17,354)
Total	\$275,729,529	\$166,592,591	\$168,974,327	\$2,381,736	\$99,932,661	(\$66,659,930)
Human Services						
Office of Health and Human Services	\$6,506,943	\$914,833,795	\$907,825,366	(\$7,008,429)	\$999,356,222	\$84,522,427
Children, Youth, and Families	59,251,759	58,440,291	55,105,897	(3,334,394)	54,192,405	(4,247,886)
Health	55,441,392	65,015,651	70,391,194	5,375,543	62,004,542	(3,011,109)
Human Services	1,344,961,678	539,731,758	553,002,562	13,270,804	562,754,777	23,023,019
BHDDH	225,892,157	234,125,964	223,479,713	(10,646,251)	220,109,814	(14,016,150)
Governor's Commission on Disabilities	70,987	120,649	182,291	61,642	129,989	9,340
Office of the Child Advocate	46,719	46,103	46,068	(35)	39,997	(6,106)
Total	\$1,692,171,635	\$1,812,314,211	\$1,810,033,091	(\$2,281,120)	\$1,898,587,746	\$86,273,535
Education						
Elementary and Secondary Education	\$234,690,933	\$230,760,206	\$237,992,129	\$7,231,923	\$225,746,654	(\$5,013,552)
Public Higher Education	23,218,046	4,852,615	5,226,649	374,034	6,190,306	1,337,691
Council on the Arts	824,067	998,794	754,191	(244,603)	797,329	(201,465)
Atomic Energy Commission	79,057	267,616	267,044	(572)	267,044	(572)
Higher Education Assistance Authority	9,566,865	13,346,283	12,814,483	(531,800)	13,274,020	(72,263)
Historical Preservation and Heritage Comm.	537,821	836,139	589,279	(246,860)	609,949	(226,190)
Total	\$268,916,789	\$251,061,653	\$257,643,775	\$6,582,122	\$246,885,302	(\$4,176,351)
Public Safety						
Attorney General	\$1,475,840	\$1,483,604	\$2,644,447	\$1,160,843	\$1,608,532	\$124,928
Corrections	2,388,892	1,995,588	3,034,940	1,039,352	1,788,688	(206,900)
Judiciary	2,377,916	2,682,107	2,760,203	78,096	2,624,248	(57,859)
Military Staff	31,350,783	33,842,074	48,024,778	14,182,704	37,653,834	3,811,760
Public Safety	7,573,445	6,940,151	10,359,782	3,419,631	6,155,535	(784,616)
Public Defender	394,462	421,898	291,996	(129,902)	291,996	(129,902)
Total	\$45,561,338	\$47,365,422	\$67,116,146	\$19,750,724	\$50,122,833	\$2,757,411
Natural Resources						
Environmental Management	\$22,171,087	\$34,997,551	\$36,678,628	\$1,681,077	\$35,126,329	\$128,778
Coastal Resources Management Council	3,054,725	1,677,977	2,185,163	507,186	2,637,815	959,838
Total	\$25,225,812	\$36,675,528	\$38,863,791	\$2,188,263	\$37,764,144	\$1,088,616
Transportation						
Transportation	\$291,517,766	\$362,340,586	\$316,461,117	(\$45,879,469)	\$311,761,586	(\$50,579,000)
Grand Total	\$2,599,122,869	\$2,676,349,991	\$2,659,092,247	(\$17,257,744)	\$2,645,054,272	(\$31,295,719)

RESTRICTED RECEIPTS EXPENDITURES

	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted	FY2015 Governor	Change from Enacted
General Government						
Administration	\$48,041,755	\$62,189,669	\$90,518,624	\$28,328,955	\$53,453,959	(\$8,735,710)
Business Regulation	4,698,165	1,747,589	3,958,494	2,210,905	2,021,830	274,241
Labor and Training	151,039,255	95,710,236	99,066,609	3,356,373	42,183,672	(53,526,564)
Revenue	1,951,612	3,048,651	4,010,750	962,099	2,948,586	(100,065)
Lieutenant Governor	301,468	1,108,488	1,594,324	485,836	74,350	(1,034,138)
Secretary of State	2,541	-	50,163	50,163	-	-
General Treasurer	1,027,164	1,130,422	851,029	(279,393)	870,338	(260,084)
Board of Elections	25	-	-	-	-	-
Public Utilities Commission	281,102	166,818	205,056	38,238	87,733	(79,085)
Commission for Human Rights	322,303	308,638	317,367	8,729	287,096	(21,542)
Total	\$207,665,390	\$165,410,511	\$200,572,416	\$35,161,905	\$101,927,564	(\$63,482,947)
Human Services						
Office of Health and Human Services	\$880,889,456	\$1,014,710,198	\$1,022,376,346	\$7,666,148	\$1,231,413,896	\$216,703,698
Children, Youth, and Families	56,202,223	56,692,405	59,346,541	2,654,136	56,127,348	(565,057)
Health	54,360,133	62,004,542	61,395,434	(609,108)	65,094,393	3,089,851
Human Services	523,431,013	554,368,102	562,747,841	8,379,739	547,675,923	(6,692,179)
BHDDH	228,870,909	217,759,723	219,882,621	2,122,898	215,194,293	(2,565,430)
Governor's Commission on Disabilities	101,893	129,989	156,330	26,341	141,350	11,361
Office of the Child Advocate	32,048	39,997	50,000	10,003	50,000	10,003
Total	\$1,743,887,675	\$1,905,704,956	\$1,925,955,113	\$20,250,157	\$2,115,697,203	\$209,992,247
Education						
Elementary and Secondary Education	\$213,509,174	\$225,746,654	\$228,824,552	\$3,077,898	\$208,495,934	(\$17,250,720)
Public Higher Education	4,015,957	6,190,306	5,032,194	(1,158,112)	5,092,287	(1,098,019)
Council on the Arts	713,635	797,329	796,680	(649)	799,348	2,019
Atomic Energy Commission	132,451	267,044	60,724	(206,320)	-	(267,044)
Higher Education Assistance Authority	10,977,121	13,274,020	12,316,514	(957,506)	13,330,967	56,947
Historical Preservation and Heritage Comm.	538,626	609,949	2,175,422	1,565,473	2,183,588	1,573,639
Total	\$229,886,964	\$246,885,302	\$249,206,086	\$2,320,784	\$229,902,124	(\$16,983,178)
Public Safety						
Attorney General	\$1,390,205	\$1,619,532	\$2,829,090	\$1,209,558	\$1,366,309	(\$253,223)
Corrections	1,950,008	1,788,688	2,520,639	731,951	1,654,703	(133,985)
Judiciary	2,043,111	2,624,248	2,063,760	(560,488)	1,909,247	(715,001)
Military Staff	34,152,735	34,878,752	41,330,122	6,451,370	14,779,178	(20,099,574)
Emergency Management Agency	-	-	-	-	18,273,640	18,273,640
Public Safety	5,960,830	6,155,535	10,448,443	4,292,908	6,894,275	738,740
Public Defender	178,734	291,996	257,086	(34,910)	248,864	(43,132)
Total	\$45,675,623	\$47,358,751	\$59,449,140	\$12,090,389	\$45,126,216	(\$2,232,535)
Natural Resources						
Environmental Management	\$18,300,658	\$38,391,731	\$36,112,636	(\$2,279,095)	\$31,779,611	(\$6,612,120)
Coastal Resources Management Council	2,021,633	2,160,593	2,335,032	174,439	1,802,613	(357,980)
Total	\$20,322,291	\$40,552,324	\$38,447,668	(\$2,104,656)	\$33,582,224	(\$6,970,100)
Transportation						
Transportation	\$272,369,503	\$311,761,586	\$349,127,537	\$37,365,951	\$352,114,755	\$40,353,169
Grand Total	\$2,519,807,446	\$2,717,673,430	\$2,822,757,960	\$105,084,530	\$2,878,350,086	\$160,676,656

OTHER FUNDS EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Governor	<i>Change from Enacted</i>	FY2015 Governor	<i>Change from Enacted</i>
Administration	\$60,771,440	\$85,797,649	\$79,599,951	(\$6,197,698)	\$69,263,833	(\$16,533,816)
Labor and Training	456,362,351	444,581,096	424,586,165	(19,994,931)	419,186,632	(25,394,464)
Revenue	250,262,343	246,561,707	336,358,747	89,797,040	343,301,988	96,740,281
General Treasurer	170,898	228,923	210,277	(18,646)	220,608	(8,315)
Total	\$767,567,032	\$777,169,375	\$840,755,140	\$63,585,765	\$831,973,061	\$54,803,686
Human Services						
Children, Youth, and Families	\$358,242	\$1,590,000	\$1,976,913	\$386,913	\$2,225,494	\$635,494
Health	34,560	35,310	129,062	93,752	-	(35,310)
Human Services	3,705,676	4,480,364	5,176,008	695,644	4,477,981	(2,383)
BHDDH	4,499,057	10,600,431	9,528,259	(1,072,172)	17,432,286	6,831,855
Governor's Commission on Disabilities	2,820	957,271	957,000	(271)	1,000,000	42,729
Total	\$8,600,355	\$17,663,376	\$17,767,242	\$103,866	\$25,135,761	\$7,472,385
Education						
Elementary and Secondary Education	\$5,569,420	\$7,861,187	\$11,583,182	\$3,721,995	\$6,246,328	(\$1,614,859)
Public Higher Education	831,096,408	870,592,266	877,876,025	7,283,759	875,247,977	4,655,711
Council on the Arts	819,835	632,536	632,536	-	632,536	-
Atomic Energy Commission	269,195	307,977	307,977	-	357,977	50,000
Higher Education Assistance Authority	8,384,454	9,207,989	8,330,082	(877,907)	6,834,268	(2,373,721)
Historical Preservation and Heritage Comm.	53,269	1,084,999	568,689	(516,310)	1,203,719	118,720
Public Telecommunications Authority	(14,191)	-	-	-	-	-
Total	\$846,178,390	\$889,686,954	\$899,298,491	\$9,611,537	\$890,522,805	\$835,851
Public Safety						
Attorney General	\$408,195	\$50,000	\$241,805	\$191,805	\$300,000	\$250,000
Corrections	3,459,279	17,469,751	14,816,540	(2,653,211)	19,140,061	1,670,310
Judiciary	3,704,271	1,515,000	2,185,283	670,283	1,350,000	(165,000)
Military Staff	2,653,348	3,408,000	3,480,458	72,458	1,950,000	(1,458,000)
Emergency Management Agency	-	-	-	-	167,000	167,000
Public Safety	4,421,763	8,207,227	6,462,105	(1,745,122)	12,095,651	3,888,424
Total	\$14,646,856	\$30,649,978	\$27,186,191	(\$3,463,787)	\$35,002,712	\$4,352,734
Natural Resources						
Environmental Management	\$3,122,199	\$24,949,959	\$18,275,307	(\$6,674,652)	\$13,242,752	(\$11,707,207)
Coastal Resources Management Council	222,281	-	50,000	50,000	-	-
Total	\$3,344,480	\$24,949,959	\$18,325,307	(\$6,624,652)	\$13,242,752	(\$11,707,207)
Transportation						
Transportation	\$134,703,469	\$140,477,915	\$122,195,797	(\$18,282,118)	\$154,759,866	\$14,281,951
Grand Total	\$ 1,775,040,582	\$ 1,880,597,557	\$ 1,925,528,168	\$44,930,611	\$ 1,950,636,957	\$70,039,400

FULL-TIME EQUIVALENT POSITIONS

	FY2013 Actual	FY2014 Enacted	FY2014 Governor	Change from Enacted	FY2015 Governor	Change from Enacted
General Government						
Administration	712.1	720.7	720.7	-	723.7	3.0
Business Regulation	94.0	94.0	94.0	-	94.0	-
Labor and Training	423.0	392.0	410.0	18.0	410.0	18.0
Revenue	489.0	492.0	492.0	-	499.0	7.0
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	57.0	-	57.0	-
General Treasurer	82.0	83.0	83.0	-	83.0	-
Board of Elections	11.0	11.0	11.0	-	11.0	-
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.5	-
Public Utilities Commission	48.0	49.0	49.0	-	50.0	1.0
Total	2,294.1	2,276.7	2,294.7	18.0	2,305.7	29.0
Human Services						
Office of Health and Human Services	169.0	184.0	184.0	-	184.0	-
Children, Youth, and Families	671.5	670.5	670.5	-	670.5	-
Health	498.0	494.1	491.1	(3.0)	491.3	(2.8)
Human Services	933.1	959.1	959.1	-	959.1	-
BHDDH	1,424.4	1,423.4	1,422.4	(1.0)	1,422.4	(1.0)
Office of the Child Advocate	5.8	6.0	6.0	-	6.0	-
Governor's Commission on the Deaf	3.0	3.0	3.0	-	3.0	-
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	3.7	3.7	3.7	-	3.7	-
Total	3,712.5	3,747.8	3,743.8	(4.0)	3,744.0	(3.8)
Education						
Elementary and Secondary Education	357.4	357.4	357.4	-	340.9	(16.5)
Public Higher Education	3,464.8	3,471.8	3,585.7	113.9	3,604.1	132.3
Council on the Arts	6.0	6.0	6.0	-	6.0	-
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	36.0	23.0	23.0	-	25.0	2.0
Historical Preservation and Heritage Commission	16.6	16.6	16.6	-	16.6	-
Public Telecommunications Authority	14.0	-	-	-	-	-
Total	3,903.4	3,883.4	3,997.3	113.9	4,001.2	117.8
Public Safety						
Attorney General	233.1	233.1	233.1	-	233.1	-
Corrections	1,419.0	1,419.0	1,419.0	-	1,419.0	-
Judiciary	723.3	726.3	726.3	-	726.3	-
Military Staff	112.0	117.0	117.0	-	85.0	(32.0)
Emergency Management	-	-	-	-	32.0	32.0
Public Safety	609.2	645.2	634.2	(11.0)	634.2	(11.0)
Public Defender	93.0	93.0	93.0	-	93.0	-
Total	3,189.6	3,233.6	3,222.6	(11.0)	3,222.6	(11.0)
Natural Resources						
Environmental Management	399.0	399.0	399.0	-	399.0	-
Coastal Resources Management Council	29.0	29.0	29.0	-	29.0	-
Total	428.0	428.0	428.0	-	428.0	-
Transportation						
Transportation	772.6	772.6	752.6	(20.0)	752.6	(20.0)
Higher Education Sponsored Research						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	100.0	100.0	59.7	(40.3)	58.7	(41.3)
RIC	82.0	82.0	82.0	-	82.0	-
URI	593.2	593.2	518.6	(74.6)	501.2	(92.0)
Total	776.2	776.2	661.3	(114.9)	642.9	(133.3)
Grand Total	15,076.4	15,118.3	15,100.3	(18.0)	15,097.0	(21.3)

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Higher Education
Higher Education Assistance Authority
Public Transit Authority
Transportation

Robert C. Bromley

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Administration
Board of Elections
Convention Center Authority
RI Commerce Corporation
Ethics Commission
General Treasurer
Human Rights Commission
Labor and Training
Military Staff
Public Utilities Commission
Quonset Development Corporation

Kelly M. Carpenter

Legislative Fiscal Analyst II

Clean Water Finance
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Narragansett Bay Commission
Resource Recovery Corporation

Lauretta Converse

Deputy Senate Fiscal Advisor

Arts Council
Atomic Energy Commission
Behavioral Health, Developmental Disabilities,
and Hospitals
Historic Preservation and Heritage Commission
Office of Health and Human Services
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Child Advocate
Children, Youth, and Families
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Health
Human Services
Mental Health Advocate

