



**SENATE FISCAL OFFICE
REPORT**

FY2017 BUDGET AS ENACTED

INCLUDING FY2016 REVISED BUDGET

SEPTEMBER 1, 2016

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EXECUTIVE SUMMARY

Executive Summary

The Budget represents the \$8.9 billion spending plan for the State for the fiscal year ending June 30, 2017 (FY2017). Also included is the revised spending plan for the current fiscal year (FY2016). The State is estimated to end FY2017 with a general revenue balance of \$369,323. The Budget Reserve and Cash Stabilization Account (aka Rainy Day Fund) would be fully-funded at \$189.9 million. The following document summarizes key budget initiatives and changes.

Expenditures by Source	FY2016 Enacted	FY2016 Governor	FY2016 Budget	Change to Governor	FY2017 Governor	FY2017 Budget	Change to Governor
General Revenue	\$3,552.0	\$3,576.5	\$3,572.6	(\$3.9)	\$3,676.8	\$3,683.7	\$7.0
Federal Funds	2,947.3	3,114.2	3,085.3	(28.9)	2,967.2	2,957.1	(10.2)
Restricted Receipts	245.5	288.8	309.1	20.3	261.9	257.0	(4.9)
Other Funds	1,920.7	1,995.7	1,974.2	(21.4)	2,058.9	2,040.9	(18.0)
Total	\$8,665.4	\$8,975.1	\$8,941.1	(\$34.0)	\$8,964.8	\$8,938.7	(\$26.1)
FTE Authorization	15,118.4	15,139.3	15,116.3	(23.0)	15,227.3	14,952.6	(274.7)

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

TAXES/FEES:

- **Pension Exemption:** Exempts the first \$15,000 in pension income from State income tax, provided that the taxpayer is of social security retirement age and meets the income restriction of either, \$80,000 per individual or \$100,000 per joint filing couple. This exemptions reflects a \$6.3 million revenue reduction (1/2 year).
- **Earned Income Tax Credit:** Expands the Rhode Island EITC for the second year in row, now equal to 15.0 percent of the federal EITC, up from 12.5 percent.
- **Unemployment Insurance Employer Reduction:** Provides \$30.0 million in employer tax relief through UI rate reductions.
- **Beach Fees:** Reduces beach fees to 2011 levels, which is approximately a 50.0 percent reduction from the current year.
- **Cigarette Tax:** Eliminates the Governor's proposal to raise the cigarette tax by a \$.25 a pack, reducing revenue by \$7.1 million.
- **Small Distilleries:** Reduces the annual license fee for Rhode Island's small distillers from \$3,000 to \$500. Additionally, small distillers will receive a new tax exemption on the first 50,000 gallons of distilled spirits they produce, reducing revenue by \$30,000.
- **Corporate Tax:** Reduces the minimum tax that corporations have to remit to the State from \$450 to \$400.

ECONOMIC DEVELOPMENT:

- **Rebuild RI:** Includes \$25.0 million for the Rebuild Rhode Island Tax Credit and adds provisions to the Rebuild RI statutes for fiscal stability in preparing future State Budgets, enhances transparency concerns, authorizes additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities.
- **Other Incentives:** The Budget funds several Economic Development Initiatives under the Executive Office of Commerce/Commerce Corp, including:
 - \$7.0 million for the First Wave Closing Fund to catalyze development

- \$1.5 million for the Innovation Vouchers Program
- \$1.0 million for the Main Street RI Streetscape Program
- \$1.2 million for continuing the P-Tech Program
- \$700,000 for the Anchor Institution Tax Credit Program
- \$500,000 for the Competitive Cluster Grant Program
- \$3.5 million to support the RI Wavemaker Fund to provide tax credits against the taxpayers' tax liability to cover educational loan expenses
- \$1.5 million to support the Air Service Development Fund, which provides loss protection to an airline for new routes while minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports
- **Tourism Funding:** Redistributes approximately \$1.1 million in hotel tax proceeds, designated for the Rhode Island Commerce Corporation, to the various tourism districts in the State.
- **Quonset Piers:** Includes \$90.0 million for pier and port improvements to Pier 2 at the Quonset Davisville Port. These improvements are funded by: a \$50.0 million bond; a \$25.0 million revenue bond authorization to be paid by the Quonset Development Corporation; and \$15.0 million in RICAP funds, of which \$1.0 million is designated for planning and design.
- **Housing Bond:** Includes \$50.0 million housing bond for affordable housing development and blight remediation.
- **Renewable Energy:** Extends the Renewable Energy Fund for five years and updates the state's net metering program to enable third-party financing. Virtual net metering is expanded to affordable housing, low/moderate income housing, community (multiple homes), and private academic, with a maximum allowable aggregate capacity of 50.0 megawatts.

DEBT AND DEBT MANAGEMENT:

- **Public Finance Management Board:** Includes language strengthening the Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The Board will undertake a debt affordability study no less than every two years, and the Board may issue non-binding advisory opinions on all matters of debt management practices of state, municipal, and public and quasi-public corporations.

EDUCATION:

- **Funding Formula:** Increases the Budget by \$34.1 million to adjust the sixth-year formula calculation based on March 2016 student enrollment and free and reduced price lunch data.
- **Full-Day Kindergarten:** Increases the Budget by \$2.6 million to provide the fully-transitioned value of formula aid, beginning in FY2017, for districts that converted to full-time kindergarten in the 2014-2015 school year or thereafter.
- **Group Home Aid:** Increases per-bed funding by \$2,000, and by \$4,000 per CRAFT bed at Bradley Hospital, reflecting a total cost of \$828,000.
- **New English Learners Categorical:** Includes \$2.4 million in FY2017 for a new categorical to promote services for English Language Learners, with a 10.0 percent weight on the per-pupil core instruction (\$898 in FY2017).
- **High-Cost Special Education:** Increases funding for categorical high-cost special education by \$2.0 million over the FY2016, resulting in \$4.5 million in total funding. Applies to costs exceeding five

times the combined core instruction plus student success factor (\$62,853 in FY2017). The Budget does not lower this threshold in FY2018 but requires RIDE to collect data on what the impact of a lower threshold would be.

- **Early Childhood:** Increases categorical aid by \$1.2 million over the FY2016 level to increase access to voluntary, free, high-quality pre-kindergarten programs; this results in \$5.2 million in total funding. The additional funds are needed as a match to the federal Pre-Kindergarten Expansion grant of \$5.7 million.
- **New Charter Density Categorical:** Establishes, through Article 11, a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 for each student attending a public school of choice (the Governor's budget had provided \$300 per student). There will be \$1.5 million to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket.
- **Transportation Categorical:** Provides an additional \$2.0 million over FY2016 funding for the transportation categorical to help districts with costs associated with transporting students to out-of-district non-public schools and within regionalized districts. Total funding for this categorical is \$6.4 million. The Governor's budget had this initiative level funded.
- **Career and Technical Categorical:** Adds \$1.0 million over the FY2016 enacted level, resulting in \$4.5 million in total funding. The Governor's budget had this categorical level funded with FY2016.
- **Recovery High Schools:** Includes \$500,000 to support the State's recovery high schools: Anchor Learning Academy.
- **Scholastic Aptitude Test (SAT):** Includes \$500,000 to make the SAT and the PSAT free for all students in RI.
- **Computer Science Grants:** Includes \$260,000 to increase access to computer science courses across the State.
- **Westerly Higher Education and Industry Center:** Includes \$750,000 in general revenue, \$3.1 million in all funds, for construction and operations at the Westerly Higher Education and Job Skills Center.
- **Bond Referendum: Leveraging Higher Education to Create 21st Century Jobs:** Includes a \$25.5 million bond referendum to renovate and construct an addition to University of Rhode Island College of Engineering, as the second phase of the Engineering School project, and a \$20.0 million for University of Rhode Island Affiliated Innovation Campuses.

LOCAL/MUNICIPAL ISSUES AND AID:

- **PILOT:** Increases the payments in lieu of taxes (PILOT) by \$1.9 million over last year, resulting in \$42.0 million in total funding. This new reimbursement level is at the required level of 27.0 percent for the first time since 2007.
- **Distressed Communities Relief:** Appropriates \$12.4 million for the property tax relief program. This is an increase of \$2.0 million from last fiscal year, which is intended to offset the impact to other distressed communities due to this year's addition of Cranston to the program.
- **Libraries:** Appropriates \$9.6 million of state aid to libraries across the state, which is \$900,000 more than in FY2016. Library construction will be subsidized in FY2016 with \$2.7 million and \$2.2 million in FY2017.

- **Property Revaluation Schedule:** Preserves the existing required property revaluation schedule of updates every 3rd and 6th year, with a full revaluation every 9th year. The Governor's budget had proposed a 5-10-15 year schedule.
- **Municipal Transparency Portal:** Establishes a web-based reporting system that has municipalities submitting to the State Budget actual financial information three times per year. This initiative would make reporting more streamlined and accurate.

HEALTH AND HUMAN SERVICES:

- **Nursing Facilities:** Includes \$3.9 million, \$7.9 million all funds, for the inflation-based direct care wage increase in nursing facilities in FY2017.
- **Graduate Medical Education:** Includes the Graduate Medical Education (GME) Program, increasing general revenue expenditures by \$2.0 million in FY2017.
- **Direct Care Wage Increase:** Includes an increase of \$2.0 million, \$4.1 million all funds for wages for direct care workers providing care to long-term care beneficiaries living in the community in FY2017.
- **Unified Health Infrastructure Project (UHIP):** Increases EOHHS funding for the Unified Health Infrastructure Project (UHIP) by \$6.8 million general revenue.
- **Developmental Disabilities:** Includes funding to support community based programming and employment services for individuals with disabilities, consistent with the consent decree.
- **Daycare Subsidies:** Includes a \$1.2 million increase from general revenue for daycare subsidies for families, as well as the negotiated payment rates daycare providers received in the FY2015 Budget. This DCYF program supported an average of 618 children residing with foster care families in FY2015.
- **Foster Care and Adoption Subsidies:** Increases general revenues by \$824,383 for foster care and adoption subsidies at DCYF.
- **Child Care:** Extends sunset date of the Transitional Child Care Pilot Program out an additional year, from September 30, 2016, to September 30, 2017. The May Caseload Estimating Conference includes the cost of implementing this extension.
- **Veterans Home:** Includes \$27.0 million bond initiative to fund the construction of new Veterans Home and the renovations of existing facilities.
- **Medical Marijuana:** Provides regulatory framework for program at minimal cost to patients.

NATURAL RESOURCES:

- **Clean Diesel Program:** Provides \$2.0 million to establish the Rhode Island Clean Diesel Program within the Department of Environmental Management (DEM) for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency.
- **Bond Referendum: Green Economy:** Includes a \$35.0 million general obligation bond authorization be placed on the November 2016 ballot for environmental and recreational purposes: historic state park development, open space, bikeway development, brownfield remediation, stormwater pollution, local recreation grants, and local land acquisition.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Accounts and Control	\$3.7	\$4.1	\$4.0	(\$0.1)	-1.6%	\$4.1	\$0.0	-
Auditing	1.3	1.5	1.4	(0.1)	-6.7%	-	(1.5)	-100.0%
Budget/Office of Management and Budget	3.4	4.1	4.5	0.4	9.8%	10.3	6.2	151.2%
Capital Asset Management and Maintenance	-	-	-	-	-	40.9	40.9	100.0%
Construction Permitting, Approvals and Licensing	2.6	3.0	3.0	-	-	3.3	0.3	10.0%
Capital Projects and Property Management	1.2	3.6	1.6	(2.0)	-55.6%	-	(3.6)	-100.0%
Central Management	2.3	3.8	3.6	(0.2)	-5.3%	2.7	(1.1)	-28.9%
Debt Service Payments	194.2	150.3	165.0	14.7	9.8%	179.0	28.7	19.1%
Energy Resources	6.3	10.6	19.6	9.0	84.9%	12.9	2.3	21.7%
Facilities Management	36.0	37.7	37.5	(0.2)	-0.5%	-	(37.7)	-100.0%
General	45.0	61.7	51.6	(10.1)	-16.4%	61.8	0.1	0.2%
Human Resources	9.6	10.4	10.0	(0.4)	-3.8%	10.5	0.1	1.0%
Information Technology	35.0	40.0	46.1	6.1	15.3%	41.3	1.3	3.2%
Legal Services	2.0	2.2	2.0	(0.2)	-9.1%	2.2	-	-
Library and Information Services	1.9	2.4	2.5	0.1	4.2%	2.5	0.1	4.2%
Personnel Appeal Board	0.1	0.1	0.1	-	-	0.1	-	-
Personnel and Operational Reforms	-	(8.2)	(0.2)	8.0	-97.6%	(1.9)	6.3	-76.8%
Planning	16.4	5.6	5.2	(0.4)	-7.1%	5.4	(0.2)	-3.6%
Purchasing	2.6	3.1	2.8	(0.3)	-9.7%	3.1	-	-
Rhode Island Health Benefits Exchange (HealthSource RI)	50.8	30.9	31.8	0.9	2.9%	12.4	(18.5)	-59.9%
The Office of Diversity, Equity and Opportunity	0.8	1.2	1.0	(0.2)	-16.7%	1.4	0.2	16.7%
Total	\$415.5	\$368.0	\$393.1	\$25.1	6.8%	\$392.0	\$24.0	6.5%
Expenditures By Source								
General Revenue	\$244.8	\$197.5	\$216.4	\$18.9	9.6%	\$237.1	\$39.6	20.1%
Federal Funds	77.8	43.3	44.0	0.7	1.6%	14.9	(28.4)	-65.6%
Restricted Receipts	20.6	28.9	45.4	16.5	57.1%	34.3	5.4	18.7%
Other Funds	72.3	98.3	87.3	(11.0)	-11.2%	105.7	7.4	7.5%
Total	\$415.5	\$368.0	\$393.1	\$25.1	6.8%	\$392.0	\$24.0	6.5%
Authorized FTE Levels	710.7	711.7	712.7	1.0	0.1%	708.7	(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 17 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget consolidates and reorganizes programs within the Department of Administration. The Budget repeals the statutes authorizing the existing Bureau of Audits, and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Front End Detection/Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education transfer into the newly established Office. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

The Budget establishes a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. In addition, the Budget codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities. The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.
- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

ACCOUNTS AND CONTROL

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

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan. The Budget includes 37.0 FTE positions in FY2016 and FY2017, consistent with the enacted level.

<u>Accounts and Control</u>	<u>General Revenue</u>
FY2016 Enacted	\$4,080,143
<i>Target and Other Adjustments</i>	
	67,290
FY2017 Enacted	\$4,147,433

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 Budget includes 12.0 FTE positions in FY2016 and 0.0 FTE positions in FY2017, reflecting the transfer of personnel to the proposed Office of Internal Audit within the Office of Management and Budget.

<u>Auditing</u>	<u>General Revenue</u>
FY2016 Enacted	\$1,476,262
<i>Target and Other Adjustments</i>	
	-
Personnel and Operating Transfer	(1,476,262)
FY2017 Enacted	\$0

Personnel and Operating Transfer **(\$1.5 million)**

The Budget transfers the audit functions and personnel from the Bureau of Audits (12.0 FTE positions) and \$1.5 million in general revenue to the newly established Office of Internal Audit within the Office of

Management and Budget. Article 4 repeals the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government.

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, participates in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Strategic Management:** Assists departments and agencies with strategic planning and continuous improvement processes to enhance management.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environments.
- **Office of Internal Audit:** Conducts audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA evaluates the efficiency of an agency's operations and internal controls; and prevents or detects fraud and mismanagement.

The Budget includes 35.0 positions in FY2016 and 65.0 FTE positions in FY2017, reflecting the reorganization of the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education shall transfer into the newly established Office of Internal Audit within the Office of Management and Budget.

Office of Management and Budget	General Revenue
FY2016 Enacted	\$4,146,713
<i>Target and Other Adjustments</i>	
Office of Internal Audit	(37,026)
Fraud and Waste Data Tool	2,305,420
Pay-for-Success Pilot Project	1,500,000
Open Performance Portal	500,000
Open Performance Portal	120,000
FY2017 Enacted	\$8,535,107

Office of Management and Budget	Other Fund Changes
Office of Internal Audit	\$1,381,095
Office of Internal Audit	355,000

Office of Internal Audit **\$2.3 million**

The Budget repeals the statute establishing the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB) in order to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. The OIA is authorized to conduct audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA may evaluate the

efficiency of an agency's operations and internal controls; and prevent or detect fraud and mismanagement. Copies of audit reports shall be submitted to the chairpersons of the Senate and House Finance Committees. In addition, the OIA shall produce an annual report summarizing the activities of OIA during the fiscal year. The annual report will be presented to the Director of OMB and posted on the office's website.

As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Front End Detection/Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education will transfer into the newly established Office. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

The Budget includes \$2.3 million in general revenue, \$1.4 million in other funds, and \$355,000 in restricted receipts, reflecting the transfer of the various audit function throughout State government into the Office of Management and Budget for personnel and operating expenses of the new Office of Internal Audit.

Analyst's Note: The DOT External Audit Unit was transferred to the Bureau of Audits under 2016-S-2246 Sub A as Amended (Rhodeworks).

Fraud and Waste Data Tool

\$1.5 million

The Budget adds \$1.5 million to implement a new fraud and waste detection system which will combine data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies. The system will consolidate data to allow the cross referencing needed to detect fraud, such as quarterly wage information from the Department of Labor and Training's Unemployment Insurance program, with individual income and sales tax data to detect income tax fraud. Based on the experience of a similar program in New York, it is projected that the tool will generate \$5.0 million in additional general revenue. The Department estimates annual computer service agreements for the system to cost \$250,000 to \$500,000 annually.

According to the Department, State agencies can share data and some have already executed Memorandum of Understanding agreements to implement the system.

Pay-for-Success Pilot Project

\$500,000

The Budget includes \$500,000 in general revenue to fund a pilot Pay-for-Success project in the Department of Corrections (DOC). According to the Department, DOC has worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

Each year more than 3,000 Rhode Islanders return to their communities after time spent in prison or jail. Unfortunately, for the majority of these individuals, the end of a prison or jail sentence does not mean the end of criminal justice involvement. In 2013, 50.0 percent of men and 41.0 percent of women released from state correctional facilities returned to prison or jail within three years; for those released from medium and maximum security facilities, the three-year rate was 68.0 percent. While these numbers represent progress over previous cohorts, DOC seeks to continue improving outcomes for recently released individuals.

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

Initial funding of \$500,000 will support a pilot project for approximately 75 to 100 formerly incarcerated people to obtain skills development and employment training, while fostering access to transitional jobs and permanent employment. The pilot will also include initial staff training, program development and management, and data collection and analysis to determine whether expansion of Pay-for-Success would be a good investment for the state. The State plans to issue a Request for Proposals for services in the summer of 2016, with the goal of launching pilot services in January 2017.

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

Open Performance Portal

\$120,000

The Budget includes \$120,000 in general revenues to fund an Open Performance Portal. The Open Performance Portal is a transparency portal which will disclose and document State agency performance measures online for the public.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Budget recommends 26.0 FTE positions in FY2016 and in FY2017, reflecting a net increase of 1.0 FTE position. This includes the reduction of 1.0 FTE Architect position in the State Building Code Commission, and the addition of a 1.0 Deputy Building Commissioner and a 1.0 Programming Services Officer.

- 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
FY2016 Enacted	\$1,615,416
<i>Target and Other Adjustments</i>	<i>32,682</i>
Personnel	120,552
Rental of Outside Property	54,805
FY2017 Enacted	\$1,823,455

Programming Services Officer

\$120,552

The Budget includes \$120,552 in general revenue reflecting the full-year cost of a 1.0 Programming Services Officer position. The position was filled in the first quarter of FY2016. The FY2016 Budget as Enacted included a new 1.0 Architect position to review I-195 Redevelopment District projects. Funding

for this position was to be drawn from the I-195 Redevelopment Fund administered by the Rhode Island Commerce Corporation. Since passage of the FY2016 Budget, the position title was upgraded to the 1.0 Deputy Building Commissioner position. The position remains vacant.

Rental of Outside Property

\$54,805

The Budget adds \$54,805 in general revenue for leased space expenses for the Building Code Commission to relocate its offices from space within the Department of Administration (William Powers Building) to the Foundry Building in Providence. The \$54,805 reflects three quarters of a year's lease. The full year expense is projected to be \$73,073.

CAPITAL ASSET MANAGEMENT AND MAINTENANCE

The Division of Capital Asset Management and Maintenance (DCAMM) is established to centralize capital assets, capital projects, and state facilities maintenance functions. The Budget establishes, by statute, the Division of Capital Asset Management and Maintenance. The new division consists of the following subprograms: Capital Asset Management and Maintenance Administration, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction.

The Budget transfers the functions and personnel from the Division of Facilities Management (124.5 FTE positions) and from the Division of Capital Projects and Property Management (12.0 FTE positions) into DCAMM.

The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain the state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.
- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

The Budget recommends 0.0 FTE positions in FY2016 and 136.5 FTE positions in FY2017, reflecting the consolidation of 124.5 FTE positions from the Division of Facilities Management and 12.0 FTE positions from the Division of Capital Projects and Property Management into DCAMM.

Capital Asset Management and Maintenance	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>(51,637)</i>
Reorganization	34,967,016
Capital Center Utilities	(1,734,538)
RICAP Staffing Shift	1,312,970
Operating Expense Net of Utilities	1,127,795
Turnover	(800,000)
Staff Training Initiatives	(128,417)
FY2017 Enacted	\$34,693,189

Reorganization**\$35.0 million**

The Budget shifts \$35.0 million in general revenue funding from the existing Division of Facilities Management and the Division of Capital Projects and Property Management programs to a new Division of Capital Asset Management and Maintenance.

Capital Center Utilities**(\$1.7 million)**

The Budget appropriates \$15.5 million to pay the Capital Center utility expenses, reflecting a decrease of \$1.7 million from the FY2016 Budget as Enacted. The Budget is based on forecasted commodity and utility expenditures.

Capital Center Utility Expenses	FY2016 Enacted	FY2017 Enacted	Change
CUF: Overhead	\$3,766,197	\$2,809,247	(\$956,950)
Electricity	262,480	309,000	46,520
Fuel: Natural Gas	8,946,397	8,590,000	(356,397)
Fuel: Oil #2 - Home Heating Oil	311,961	85,400	(226,561)
Fuel: Oil #6 - Bunker 'C'	280,000	-	(280,000)
Fuel: Wood Chips	350,000	350,000	-
Sewer Use	1,855,908	1,833,000	(22,908)
Telecomm: Overhead	51,821	58,400	6,579
Telecomm: Telephone Charges	22,000	25,000	3,000
Telephone and Telegraph	1,240	9,080	7,840
Water	1,347,661	1,392,000	44,339
Total	\$17,195,665	\$15,461,127	(\$1,734,538)

RICAP Staffing Shift**\$1.3 million**

The Budget adds \$1.3 million in general revenue to cover the personnel costs for 10.0 FTE positions. The Governor proposed allocating staff time for 10.0 FTE positions within the Division of Capital Asset Management and Maintenance (DCAMM) program according to the percentage of time dedicated to RICAP capital projects. The proposal shifted the source of funding for 10.0 FTE positions within DCAMM from general revenues to RICAP funds for better development of performance management measures. The Budget does not include this proposal, and \$1.3 million in general revenue is restored to fund these positions.

Operating Expenses Net of Utilities**\$1.1 million**

The Budget includes an increase of \$1.1 million in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within three natural accounts.

Operating Expenses	FY2016 Enacted	FY2017 Enacted	Change
Building Maintenance & Repairs	\$1,715,418	\$2,285,569	\$570,151
Snowplowing and Sanding	66,970	427,000	360,030
Insurance: Property/Casualty	463,114	512,000	48,886
All Other Adjustments	1,508,723	1,710,576	148,728
Total	\$3,754,225	\$4,935,145	\$1,127,795

Turnover Savings**(\$800,000)**

The Budget decreases general revenue by \$800,000 based on anticipated turnover savings for the Department of Administration. This equates to 4.9 FTE positions using the Department's average FTE cost of \$164,353 per FTE.

Staff Training Initiatives**(\$128,417)**

The Budget eliminates \$128,417 in general revenue funding for training and education services for employees. The State would have contracted with a consultant to review the State's employee training program and to provide recommendations on enhancing the training programs to meet individual, group,

or departmental needs. This includes a reduction of \$128,417 under the Division of Capital Asset Management and Maintenance (DCAMM) program. The training under DCAMM would have included training and certifying staff to use certain machinery.

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 Budget recommends 12.0 FTE positions in FY2016 and 0.0 FTE positions in FY2017, reflecting the transfer of personnel to the proposed Division of Capital Asset Management and Maintenance.

Capital Projects and Property Management	General Revenue
FY2016 Enacted	\$2,967,816
<i>Target and Other Adjustments</i>	0
Personnel and Operating Transfer	(2,967,816)
FY2017 Enacted	\$0

Capital Projects and Property Management	Other Fund Changes
Personnel and Operating Transfer - Other	(\$495,821)
Personnel and Operating Transfer - Restricted Receipts	(127,339)
Personnel and Operating Transfer - Federal	(21,955)

Personnel and Operating Transfer **(\$3.0 million)**

The Budget transfers the functions and personnel from the Division of Capital Projects and Property Management (12.0 FTE positions) along with \$3.0 million in general revenue to the proposed Division of Capital Asset Management and Maintenance within the Department of Administration. Article 4 codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities.

The Budget includes \$3.0 million in general revenue, \$495,821 in other funds, \$127,339 in restricted receipts, and \$21,955 in federal funds reflecting the transfer of the various personnel and operating functions from Capital Projects and Property Management into the Division of Capital Asset Management and Maintenance.

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 Judicial Nominating Commission recommends candidates to the Governor to fill vacancies in the Rhode Island Judiciary. The Commission is required by statute to advertise for each judicial vacancy and to actively seek and encourage applications from qualified individuals.

The Budget includes 32.0 FTE positions in FY2016 and 26.0 FTE positions in FY2017, reflecting a shift of 7.0 FTE positions to the Division of Information Technology as part of the centralization information

and technology into a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration; and the addition of 1.0 FTE Cybersecurity Director to enhance cybersecurity protection.

Central Management	General Revenue
FY2016 Enacted	\$3,790,943
<i>Target and Other Adjustments</i>	
Office of Digital Excellence Transfer	(984,019)
Cybersecurity Director	296,190
Employee Classification Study	(250,000)
Eliminate New Billing Clerk	(128,994)
FY2017 Enacted	\$2,660,785

Office of Digital Excellence Transfer **(\$984,019)**

The Budget consolidates the Office of Digital Excellence (ODE) into the Division of Information Technology (DoIT) to enable a more effective use of personnel on projects that span both the ODE and DoIT. As part of the consolidation, the Chief Digital Officer will also assume the duties of the Chief Information Officer.

Cybersecurity Director **\$296,190**

The Budget adds \$296,190 in general revenue and recommends the addition of a 1.0 FTE Cybersecurity Director position to enhance cybersecurity within the State. The increase includes \$177,489 for salary and \$18,701 for benefits and operating expenses. According to the Department of Administration, the decision to place the position in Central Management rather than in the Division of Enterprise, Technology, Strategy, and Service (DETSS), is that the Cybersecurity Director will handle much more than the State's cybersecurity needs and will be working with the State Police, National Guard, and other various federal entities more often than with DETSS.

Employee Classification Study **(\$250,000)**

The Budget includes \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. This is a decrease of \$250,000 from the FY2016 Budget as Enacted. The study was one of the recommendations received from the personnel study performed by the Segal Company.

The FY2016 Budget as Enacted included \$500,000 in general revenue for continued work on the study. A total of \$380,111 was expended last fiscal year. According to the Department, the vendor reviewed existing job classifications and collected data from state employees via questionnaires and interviews. Existing job classifications have been collapsed into job families and titles by the vendor. The vendor recommended consolidating many job titles, reducing the number of titles to approximately 700. The \$250,000 appropriation in FY2017 will be used by the vendor analyze compensation for similar positions in order to make recommendations for compensation to the State. Also, the vendor continues to work on revising and updating job descriptions.

The Department of Administration undertook a comprehensive \$1.0 million analysis of the State's personnel system before the close of FY2013, to study alternatives to what some believe is a cumbersome and outdated system, and provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits.

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.

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 study is also expected to develop appropriate methods 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.

Central Management – New 1.0 FTE Billing Clerk **(\$128,994)**

The Budget removes \$128,994 in general revenue for salary and benefit costs associated with the proposed hiring of a new billing clerk within Central Management.

DEBT SERVICE

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

Debt Service Payments	General Revenue
FY2016 Enacted	\$99,137,176
<i>Target and Other Adjustments</i>	
General Obligation Bond Changes	45,236,587
Other Debt Service Changes	(10,819,701)
Issuance Delay Savings	(2,770,000)
Certificates of Participation (COPs)	(260,096)
FY2017 Enacted	\$130,523,966

General Obligation Bond Changes **\$45.2 million**

The Budget includes \$37.8 million in general revenue to fund the costs of the State's general obligation debt service in FY2017, or \$45.2 million more than FY2016.

General Obligation Debt	FY2016 Enacted	FY2017 Enacted	Change
Debt Restructuring	(\$64,458,000)	\$0	\$64,458,000
G.O. Bond New Bond Issue Projected Costs	-	9,342,812	9,342,812
DEM Debt Service - Recreation	8,808,504	-	(8,808,504)
DOA - Affordable Housing GO Bonds	7,770,976	-	(7,770,976)
All Other G.O. Debt Adjustments	40,395,763	28,411,018	(11,984,745)
General Obligation Debt - Total	(\$7,482,757)	\$37,753,830	\$45,236,587

The FY2016 Budget as Enacted included \$64.5 million in general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017. The funding was used for a variety of programs under the Executive Office of Commerce over the next two fiscal years. The two initiatives are not directly linked in the budget, however.

The State issued new debt to pre-pay prior bonds. The restructuring resulted in savings in FY2016 of \$64.5 million and of \$36.0 million in FY2017 compared to where debt service would have been with no restructuring. To account for the impact in FY2016, the savings was stated in one account as a negative, that is adjusted and distributed to each debt account impacted by the savings as part of the FY2016 Revised Budget (as submitted). Since there is no new debt service restructuring proposals recommended for FY2017, the line item appears as a large addition when the line items are compared between the FY2017 Budget as Enacted to the FY2016 Budget as Enacted. Many of the adjustments contained under the All Other General Obligation bond adjustments reflect the debt restructuring occurring in FY2016. In addition, a portion of the debt restructuring required the Budget Office to shift previously general revenue funded debt service to other funds because the restructuring savings were partially attributable to Department of Transportation debt. This shift includes the DEM Debt Service Recreation item and the DOA Affordable Housing G. O. Bonds.

The Budget adds \$9.3 million to cover the principal and interest (\$4.8 million) on approximately \$63.0 million of previously authorized but unissued G. O. Bonds that were issued in May 2016, and \$4.6 million to cover interest only costs on bonds to be issued in 2017.

Other Debt Service Changes **(\$10.8 million)**

The Budget includes \$10.8 million in general revenue savings on various debt issuances, including a reduction of \$9.9 million for the 38 Studios Debt service, reflecting the State receiving various individual settlements totaling \$9,926,027, and a decrease of \$49,825 for the normal year-over-year decline in the debt service on this item. Other reductions include lower projected debt service for the Rhode Island Convention Center debt and for the Historic Structures Tax Credit debt.

	FY2016	FY2017	
Other Debt Service	Enacted	Enacted	Change
38 Studios Debt Service	\$12,499,113	\$2,523,261	(\$9,975,852)
Convention Center Authority	22,973,037	22,464,563	(508,474)
EDC - Fidelity Job Rent Credits	3,442,579	3,442,579	-
EDC - Providence Place Mall Sales Tax	3,560,000	3,560,000	-
Historic Structures Tax Credit	31,329,247	30,993,872	(335,375)
I-195 Land Acquisition	500,000	500,000	-
Other Debt Service - Total	\$74,303,976	\$63,484,275	(\$10,819,701)

Issuance Delay Savings **(\$2.8 million)**

The Budget includes \$2.8 million in general revenue debt service savings reflecting a delay in the issuing general obligation bonds.

Certificates of Participation (COPs) **(\$260,096)**

The Budget includes \$32.1 million in general revenue to cover the debt service on eleven projects financed through Certificates of Participation (COPs). This reflects a decrease of \$260,096 from the FY2016 Budget as Enacted.

COPs Funded Projects	FY2016 Enacted	FY2017 Enacted	Change
BHDDH - Power Plant	\$2,253,313	\$2,253,063	(\$250)
COPS - Attorney General - Debt Service	162,898	-	(162,898)
COPS - DCYF Training School	3,091,850	4,208,150	1,116,300
COPS - Energy Conservation	6,823,563	6,853,151	29,588
COPS - Kent County Courthouse	2,877,750	4,615,425	1,737,675
COPS - School for the Deaf	3,483,670	2,483,850	(999,820)
COPS - Technology	8,585,525	6,611,250	(1,974,275)
COPS - Traffic Tribunal - Debt Service	1,319,600	1,673,650	354,050
Shepherd Building Lease Payment	2,986,250	3,013,500	27,250
COPS - Center General Bldg. - Tenant	460,661	216,510	(244,151)
COPS - Center General Building	270,877	127,312	(143,565)
COPs - Total	\$32,315,957	\$32,055,861	(\$260,096)

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. There are no general revenue appropriations in the Office of Energy Resources. The Budget includes 13.0 FTE positions in FY2016 and in FY2017.

Energy Resources	Other Fund Changes
Regional Greenhouse Gas Initiative	\$2,416,878

Regional Greenhouse Gas Initiative (restricted receipts) \$2.4 million

The Budget includes \$11.6 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects an increase of \$2.4 million over the FY2016 Budget as Enacted. The Office of Energy Resources (OER) received additional resources from the increase in the RGGI allocation to the State. Article 7 from the FY2015 Budget as Enacted amended RIGL 23-82-6 to increase a portion of the proceeds that may be used for administrative costs by 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, thus allowing OER to increase the grant program to promote energy efficiency projects.

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.

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 Budget includes 124.5 positions in FY2016 and 0.0 FTEs in FY2017, reflecting the transfer of personnel to the proposed Division of Capital Asset Management and Maintenance.

Facilities Management	General Revenue
FY2016 Enacted	\$32,172,352
<i>Target and Other Adjustments</i>	
Personnel and Operating Transfer	(32,172,352)
FY2017 Enacted	\$0

Facilities Management	Other Fund Changes
Personnel and Operating Transfer - Other	(\$3,923,319)
Personnel and Operating Transfer - Federal	(1,208,674)
Personnel and Operating Transfer - Restricted Receipts	(376,880)

Personnel and Operating Transfer **(\$32.2 million)**

The Budget transfers the functions and personnel from the Facilities Management (124.5 FTE positions) along with \$32.2 million in general revenue to the proposed Division of Capital Asset Management and Maintenance within the Department of Administration. Article 4 codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities.

The Budget transfers \$32.2 million in general revenue, \$3.9 million in other funds, \$1.2 million in federal funds, and \$376,880 in restricted receipts reflecting the transfer of the various personnel and operating functions from Facilities Management into the Division of Capital Asset Management and Maintenance.

GENERAL

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

General	General Revenue
FY2016 Enacted	\$17,128,804
<i>Target and Other Adjustments</i>	
Rhode Island Public Transit Authority	(1,100,000)
Community Service Objectives	(921,049)
Resource Sharing and State Library Aid	588,674
Library Construction Aid	(440,080)
FY2017 Enacted	\$15,256,349

Rhode Island Public Transit Authority **(\$1.1 million)**

The Budget provides \$900,000 in general revenue to the Rhode Island Public Transit Authority (RIPTA) for operational and fare-subsidy support. The FY2016 Budget as Enacted had authorized RIPTA to charge low-income seniors and disabled individuals to ride the bus. Revenue generated from these half-fare rides was estimated to be \$1.7 million. The Budget does not remove RIPTA's authorization; however, the appropriation will delay the half-fare implementation until at least January 1, 2017, offering additional time to explore other financing options for the Authority. This reflects a reduction of \$1.1 million as compared to the FY2016 Budget as Enacted.

Community Service Objectives **(\$921,049)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant

purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$921,049, relative to the FY2016 Budget as Enacted.

Resource Sharing and State Library Aid **\$588,674**

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget includes \$9.4 million in general revenue for FY2017, an increase of \$588,674 as compared to the FY2016 Budget as Enacted.

Library Construction Aid **(\$440,080)**

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 FY2017, the Budget includes \$2.2 million, a decrease of \$440,080 from the FY2016 Budget as Enacted. This reflects a reduction of \$302,903 for actual reimbursement costs and a target reduction of \$137,177 based on the change in scheduled payments from FY2016 to FY2017.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government. The Budget includes 95.8 FTE positions in FY2016 and in FY2017.

Human Resources	General Revenue
FY2016 Enacted	\$7,679,763
<i>Target and Other Adjustments</i>	<i>(6,755)</i>
Turnover Savings	(200,000)
Software Maintenance Agreements	110,898
FY2017 Enacted	\$7,783,906

Turnover Savings **(\$200,000)**

The Budget decreases general revenue by \$200,000 based on anticipated turnover savings for the Department of Administration. This equates to 1.2 FTE positions using the Department's average FTE cost of \$164,353 per FTE.

Software Maintenance Agreements **\$110,898**

The Budget increases funding for operating expenses related to an annual subscription for Human Resources NeoGov Insight Enterprise Edition and Onboard Enterprise Edition software needed for the application and employment paperwork for new employees.

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 Budget establishes a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies. The formal establishment of the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration is not anticipated to generate any fiscal impact.

The Budget includes 188.5 FTE positions in FY2016 and 195.5 FTE positions in FY2017, reflecting a shift of 7.0 FTE positions to the Division of Information Technology as part of the centralization information and technology into a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration

Information Technology	General Revenue
FY2016 Enacted	\$20,201,589
<i>Target and Other Adjustments</i>	<i>778,056</i>
Office of Digital Excellence Transfer	926,060
Operating	338,701
Turnover Savings	(300,000)
RIFANS Database Administrator	(103,844)
FY2017 Enacted	\$21,840,562

Information Technology	Other Fund Changes
Information Technology Investment Fund	(\$196,811)

Office of Digital Excellence Transfer **\$926,060**

The Budget consolidates the Office of Digital Excellence (ODE) into the Division of Information Technology (DoIT) to enable a more effective use of personnel on projects that span both the ODE and DoIT. As part of the consolidation, the Chief Digital Officer will also assume the duties of the Chief Information Officer.

Operating **\$338,701**

The Budget adds \$338,701 in general revenue reflecting net adjustments for operating expenses under the Information Technology program, including an increase of \$204,049 for internet service fees, a reduction of \$156,919 for telephone services, an increase of \$147,914 for computer maintenance expenses, an increase of \$97,140 for staff training, and a net increase of \$46,517 on other operating adjustments.

Items	FY2016	FY2017	Change
	Enacted	Enacted	
Internet Services	\$290,720	\$494,769	\$204,049
Telephone	758,400	601,481	(156,919)
Maintenance Computers	461,896	609,810	147,914
Staff Training	34,760	131,900	97,140
All Other Adjustments	2,340,250	\$2,386,767	46,517
Total	\$3,886,026	\$4,224,727	\$338,701

Turnover Savings **(\$300,000)**

The Budget decreases general revenue by \$300,000 based on anticipated turnover savings for the Department of Administration. This equates to 1.8 FTE positions using the Department's average FTE cost of \$164,353 per FTE.

RIFANS Database Administrator**(\$103,844)**

The Budget eliminates \$103,844 in general revenue for salary and benefit costs associated with the proposed hiring of a new RIFANS database administrator position.

Information Technology Investment Fund (restricted receipts)**(\$196,811)**

The Budget includes \$8.9 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting a decrease of \$196,811 in restricted receipts from the FY2016 Budget as Enacted. The Fund is a restricted receipt account for the State's technology initiatives and improvement projects.

The ITIF derives funding through the sale of state property as well as from two additional sources. The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. In addition, beginning July 1, 2015, 10.0 percent of the \$1.00 surcharge levied on each residence and business telephone line collected to support the E-911 Uniform Emergency Telephone System is deposited into the ITIF. The surcharge revenues are projected to generate an additional \$1.5 million annually for the ITIF.

At present the Department has identified multiple IT projects with an approximate cost of \$30.7 million. As of March 10, 2016, the IT fund has a balance of \$28.4 million. The Department indicates that there is \$11.0 million in unspent but approved projects and \$9.9 million in new project requests, which will leave the Fund with an available balance of \$7.3 million.

Analyst's Note: The narrative in the Capital Budget states the Governor recommends expenditures of \$10.0 million annually for the fiscal years 2016 through 2020, "assuming resources are available in the fund." However, based upon anticipated revenues this is not sustainable from the Fund's current revenues. The Department reiterates that the Governor's Budget recommendation is conditional upon available resources, but indicates that the final recommendation in the FY2017 Capital Budget should have been updated to be more in line with current anticipated funding.

The following table illustrates projected funding and expenditures from the Information Technology Investment Fund.

Information Technology Fund	Beginning Balance	New Revenue *	Expenses*	Ending Balance
FY2015 Actual	\$5.0	\$27.0	\$5.8	\$26.2
FY2016 Actual	26.2	6.0	15.7	16.5
FY2017 Enacted	16.5	1.5	8.9	9.1
FY2018 Projected	9.1	1.5	1.5	9.1
FY2019 Projected	9.1	1.5	1.5	9.1
FY2020 Projected	9.1	1.5	1.5	9.1

Source: Central Business Office

FY2016 Revenues derived \$4.7 million in land sales and \$1.3 million 911 fees

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Budget includes 16.6 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Legal Services	General Revenue
FY2016 Enacted	\$2,166,696

Target and Other Adjustments 19,292

FY2017 Enacted **\$2,185,988**

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Budget includes 13.0 FTE positions in FY2016 and FY2017, consistent with the enacted level.

The Budget provides language codifying the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies.

Library and Information Services	General Revenue
FY2016 Enacted	\$1,229,995

Target and Other Adjustments 112,824

FY2017 Enacted **\$1,342,819**

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
FY2016 Enacted	\$119,874

Target and Other Adjustments 13,545

FY2017 Enacted **\$133,419**

PERSONNEL AND OPERATIONAL REFORMS

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

Personnel and Operational Reforms	General Revenue
FY2016 Enacted	(\$8,225,000)

Unachieved Savings 6,258,579

FY2017 Enacted **(\$1,966,421)**

The FY2016 Budget as Enacted included \$8.2 million in statewide general revenue savings to be identified in the current fiscal year. This included \$5.0 million from personnel and operating reforms to be

achieved in part through negotiations with the various labor bargaining units and \$3.2 million in further contractual and operating savings. The savings were stated under the Department of Administration to be distributed to State agencies as part of the revised budget. The FY2016 Revised Budget allocates \$6.3 million of these amongst the State agencies.

The Budget shifts the balance, \$1.9 million to FY2017 as a negative appropriation and tasks the Department to identify savings in the next fiscal year. The Department requires a restoration of \$1.9 million in FY2016, reflecting the unachieved savings.

PLANNING

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

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

The Budget includes 26.0 FTE positions in FY2016 and in FY2017.

Planning	General Revenue
FY2016 Enacted	\$1,316,146
<i>Target and Other Adjustments</i>	<i>25,612</i>
FY2017 Enacted	\$1,341,758

PURCHASING

The Purchasing division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The Procurement division solicits bids or requests for proposal for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services include purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public. The 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 Budget includes 30.0 FTE positions in FY2016 and FY2017, consistent with the enacted budget.

Purchasing	General Revenue
FY2016 Enacted	\$2,764,921

<i>Target and Other Adjustments</i>	<i>95,801</i>
FY2017 Enacted	\$2,860,722

Purchasing	Other Fund Changes
Office of Post Secondary Commissioner Reimbursement	(\$87,847)
Office of Post-Secondary Commissioner Reimbursement (other funds)	(\$87,847)

The Budget reduces \$87,847 in other fund expenses reflecting a reduction in the other fund reimbursement from the Office of the Post-Secondary Education Commissioner. As per a Memorandum of Understanding between the Office of Post-Secondary Education Commissioner and Purchasing, over the past few years, the Office of Post-Secondary Education lead and funded partial administrative services in Purchasing to follow through with the Office of Post-Secondary Education's major projects. The MOU was for \$180,000. The decrease in the reimbursement is consistent with the plan to increase the delegated purchasing authority at the University of Rhode Island which would reduce the other fund reimbursement from the Office of Post-Secondary Education.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

As part of the national health care reform and the Affordable Care Act (ACA), the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of Administration. Rhode Island's health benefits exchange (HealthSource RI) became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid. The Budget includes 16.0 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

Rhode Island Health Benefits Exchange (HealthSource RI)	General Revenue
FY2016 Enacted	\$2,625,841

<i>Target and Other Adjustments</i>	<i>-</i>
FY2017 Enacted	\$2,625,841

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - federal funds	(\$23,569,024)
Rhode Island Health Benefits Exchange - restricted receipts	5,026,031

Rhode Island Health Benefits Exchange (federal funds) (\$23.6 million)

The Budget includes \$1.2 million in federal funds for Rhode Island Health Benefits Exchange for FY2017, reflecting a decrease of \$23.6 million. This funds contracts with vendors such as Deloitte, which is responsible for the ongoing development of 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 its customer service call center.

The decrease in federal funds is due to the expiration of federal funding that was provided for the establishment of an ACA-compliant health benefits exchange. To date, the design, development, and implementation of HealthSource RI has been funded with a total of \$141.4 million in federal grants. Use of federal funds for operations was precluded after CY2014.

Rhode Island Health Benefits Exchange (restricted receipts)**\$5.0 million**

The Budget includes \$5.0 million in restricted receipts from the new Health Reform Assessment authorized under the Article 18 of the FY2016 Budget as Enacted. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies. The restricted receipts included in the Budget represent the second year of non-federal funds budgeted for HealthSource RI.

	FY2013	FY2014	FY2015	FY2016	FY2017	
HealthSource RI	Actual	Actual	Actual	Enacted	Enacted	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$24.7	\$1.2	\$143.5
Restricted Receipts	-	-	-	3.6	8.6	12.2
Total	\$21.8	\$47.3	\$48.5	\$28.3	\$9.8	\$155.7

\$'s in millions

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

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

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

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

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

The Budget includes 9.0 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

The Office of Diversity, Equity and Opportunity	General Revenue
FY2016 Enacted	\$1,098,841
<i>Target and Other Adjustments</i>	<i>(11,418)</i>
Office of Supplier Diversity	131,717
Print Advertising	53,500
Staff Training	22,000
FY2017 Enacted	\$1,294,640

Office of Supplier Diversity**\$131,717**

The Budget establishes a new office within the Office of Diversity, Equity, and Opportunity that will complement the work of the Minority Business Enterprise Compliance Office and be funded by shifting funds within the existing program. The goals and objectives of the Office shall be:

- To develop and implement strategies for expanding outreach and engagement with communities and businesses that support minority, women, and disability business enterprises;
- To develop and implement strategies to increase the utilization of minority, women, and disability business enterprises;
- Identify and address barriers that prevent full participation of minority, women, and disability business enterprises in the state procurement process;
- Foster the education and capacity of existing minority, women, and disability business enterprises, as well as to promote opportunities for the creation of new minority, women, and disability business enterprises to meet the procurement needs of the state;
- Host events to foster relationship building between major prime contractors, state procurement officials, and minority, women, and disability business enterprises; and,
- Issue period reports and/or newsletters to showcase activities and highlight achievements.

Print Advertising**\$53,500**

The Budget increases print advertising expenses by \$53,500 in general revenue which is funded in FY2016 with turnover in the Program. This is a new initiative to enhance outreach efforts to underrepresented classifications that include job categories that are underrepresented by minorities, women, persons with disabilities, veterans, and other protected classes. The goal of ODEO is to target advertising efforts by using diverse media outlets in the hope that will attract a broader, more diverse applicant pool.

Staff Training**\$22,000**

The Budget adds \$22,000 in general revenue for diversity training for both program staff and for State employees throughout State government.

CAPITAL PROJECTS

The Budget includes a total of \$46.2 million in RICAP for FY2017, a net increase of \$6.4 million from the FY2016 Budget as Enacted. Significant projects include:

- \$27.4 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$14.5 million to renovate the Virks building, \$6.8 million in RICAP funds to renovate various structures at the Center, \$2.9 million for electrical upgrades, \$1.3 million to conduct a master plan, and \$900,000 for continuing parking improvements.
- \$4.0 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds and asset protection at the Rhode Island Convention Center, and Veterans' Memorial Auditorium.
- \$1.5 million for the Cranston Street Armory stabilization project.
- \$2.4 million for the Chapin Health Laboratory. The structure requires renovations and updates to the HVAC and electrical systems, a new boiler, installation of efficiency lighting, new ventilation for the decomposition room, and retrofitting the laboratory exhaust.

Department of Business Regulation

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$1.2	\$1.3	\$1.4	\$0.0	2.8%	\$1.3	(\$0.0)	-0.1%
Banking Regulation	1.6	1.7	1.7	0.0	1.2%	1.9	0.2	9.2%
Securities Regulation	0.9	1.0	1.0	0.0	-2.0%	1.1	0.1	13.2%
Insurance Regulation	5.0	5.8	5.1	(0.6)	-10.8%	5.8	0.0	0.4%
Board of Accountancy	0.0	0.0	0.0	(0.0)	-64.0%	0.0	(0.0)	-64.0%
Commercial Licensing, Racing & Athletics	1.1	1.2	1.3	0.1	5.5%	2.9	1.7	141.2%
Boards for Design Professionals	0.3	0.3	0.3	(0.0)	-3.5%	0.3	0.0	0.0%
Office of Health Insurance Commissioner	2.6	3.3	3.3	(0.1)	1.9%	2.6	(0.8)	-23.4%
Total	\$12.7	\$14.6	\$14.1	(\$0.6)	-3.9%	\$15.9	\$1.2	8.5%
Expenditures By Source								
General Revenue	\$8.6	\$9.2	\$8.8	(\$0.4)	-5.0%	\$10.6	\$1.3	14.6%
Federal Funds	2.2	2.8	2.8	(0.0)	-0.9%	1.1	(1.7)	-60.6%
Restricted Receipts	1.9	2.6	2.5	(0.1)	-3.9%	4.2	1.6	61.3%
Total	\$12.7	\$14.6	\$14.1	(\$0.6)	-3.9%	\$15.9	\$1.2	8.5%
Authorized FTE Levels	98.0	98.0	98.0	-	0.0%	104.0	6.0	6.1%

\$ 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 FY2017

DBR is primarily a regulatory agency, with the bulk of funding (87.9 percent) going towards personnel expenses. Of the total budget, 71.4 percent is for salaries and wages, and another 16.5 percent is for contracted professional services.

There is a 14.6 percent increase to the general revenue budget (\$1.3 million) over the FY2016 Budget as Enacted. The increase is related to the Office of the Health Insurance Commissioners efforts to sustain the work and progress of its health insurance rate review program and its consumer health insurance data centers. The program was initiated with the assistance of two federal grants that are set to expire in FY2016.

The Department is renewing its focus on the collection of retaliatory fees from out-of-state insurance agencies. Through key staff enhancements (fully staffing the Insurance Division's 34.0 FTEs) DBR plans to redirect resources towards enforcement of this program which is anticipated to bring in an additional \$1.1 million in revenues for FY2017.

The Budget designates the Department as the licensing and regulatory agency for compassion centers and licensed growers for the State's Medical Marijuana Program. \$1.5 million of restricted receipt revenue is dedicated to support the necessary personnel (2.0 FTEs) and operating costs associated with this new charge.

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 10.0 FTE positions in FY2016 and 9.4 FTE positions in FY2017 for the program, a decrease of 0.6 FTE positions from the FY2016 enacted level.

Central Management	General Revenue
FY2016 Enacted	\$1,326,772
<i>Target and Other Adjustments</i>	<i>(863)</i>
FY2017 Enacted	\$1,325,909

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 FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Banking Regulation	General Revenue
FY2016 Enacted	\$1,674,773
<i>Target and Other Adjustments</i>	<i>143,900</i>
FY2017 Enacted	\$1,818,673

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives. The Budget includes 10.0 FTE positions in FY2016 and 9.8 positions in FY2017, a decrease of 0.2 positions from the FY2016 Budget as Enacted.

Securities Regulation	General Revenue
FY2016 Enacted	\$962,697
<i>Target and Other Adjustments</i>	<i>(22)</i>
Personnel	116,353
FY2017 Enacted	\$1,079,028

Personnel **\$116,353**

The Budget includes \$116,353 to fully fund 9.8 FTE positions; however, 0.2 FTE positions currently funded through general revenue will be shifted to restricted receipts (Racing and Athletics Reimbursement account). This allocation represents the percentage of time FTEs in this program spend working on Newport Grand and Twin River matters.

INSURANCE REGULATION

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and

regulations. The division monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners.

The Budget includes 36.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Insurance Regulation	General Revenue
FY2016 Enacted	\$3,885,752
<i>Target and Other Adjustments</i>	
Personnel	11,000
Retaliatory Collections	96,742
	Informational
FY2017 Enacted	\$3,993,494

Personnel **\$96,742**

The Budget includes a net increase of \$96,742 in salary and benefits, primarily to fund additional positions within the Insurance Regulation program and partially offset this through statewide benefits changes. The increase is meant to provide a full complement of staff to assist in the Governor's enforcement program to assess retaliatory fees on foreign insurers.

Retaliatory Collections **Informational**

The Budget includes \$1.1 million in additional revenue collections resulting from the Department's initiative to enforce collection of retaliatory fees from out-of-state insurance agencies. Retaliatory fees are established in state statutes throughout the country and were put in place to discourage states from charging exorbitant taxes and fees to insurance companies outside their state. For example, Rhode Island charges a tax of 2.0 percent on its domiciled insurers (business headquarter in-state); however, if Rhode Island's insurers are charged a higher tax when operating in another state, then Rhode Island will charge the higher tax to insurers from that state who wish to do business in the state.

Of the 1,400 insurance companies licensed in Rhode Island, only 30 are domiciled here. Currently, companies voluntarily report retaliatory taxes, fees, and assessments. The Department states that staffing issues have impeded DBR's ability to fully examine regulatory fees and assessments imposed by other states. The Budget fully staffs the 34.0 FTE positions to enforce this initiative.

The estimate of \$1.1 million is based on assessments readily available to the DBR from the State Retaliatory Guide, published by the National Association of Insurance Commissioners, and reports of insurance premiums written that had been previously compiled.

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees, and issues initial certificates and permits to regulated businesses, occupations and professions. The Board of Accountancy is 100.0 percent financed with general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

Board of Accountancy	General Revenue
FY2016 Enacted	\$16,654
<i>Target and Other Adjustments</i>	
Legal Services	(3,769)
	(6,885)
FY2017 Enacted	\$6,000

Legal Services**(\$6,885)**

The Budget decreases funding for contracted legal services by \$6,885. These services will now be performed in-house by current DBR staff.

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 FY2016 and 17.8 positions in FY2017, an increase of 5.8 positions from the FY2016 Budget as Enacted.

Commercial Licensing, Racing & Athletics	General Revenue
FY2016 Enacted	\$561,821

<i>Target and Other Adjustments</i>	76,386
FY2017 Enacted	\$638,207

Commercial Licensing, Racing & Athletics	Other Fund Changes
Medical Marijuana Regulatory Changes (restricted receipts)	\$1,503,394

Medical Marijuana Regulatory Changes**\$1.5 million**

Article 14 of the Budget establishes the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff and cultivators. DBR is also charged with developing and administering a tagging system for medical marijuana plants, including the selling of plant tags and maintaining a tag database. The Department of Health will continue to have licensing authority over patients, caregivers and authorized purchasers. The Budget includes \$1.5 million within DBR to support the necessary personnel costs (\$303,394 restricted receipts) and software to set up the tracking system (\$1.2 million restricted receipts). The restricted receipts funding will be generated from plant tag sales and licensing fees. The Budget includes 2.0 FTEs to support the program.

BOARDS FOR DESIGN PROFESSIONALS

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

The Budget includes 2.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Boards for Design Professionals	General Revenue
FY2016 Enacted	\$273,009
<i>Target and Other Adjustments</i>	71
FY2017 Enacted	\$273,080

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

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

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

The Budget includes 13.0 FTE positions in FY2017 for the Office, consistent with the FY2016 Budget as Enacted.

Office of Health Insurance Commissioner	General Revenue
FY2016 Enacted	\$535,017
<i>Target and Other Adjustments</i>	35,170
Contract Services	565,000
Personnel	313,874
FY2017 Enacted	\$1,449,061

Contract Services **\$565,000**

The Budget includes an increase of \$565,000 to fund contract services which were previously financed through federal rate review grants:

- **Consumer Assistance and Grievance Management Vendor (\$400,000):** Rhode Island Insurance Resource, Education, and Assistance Consumer Helpline (RIREACH), administered by the Rhode Island Parent Information Network (RIPIN), operates a live-answer consumer advocacy hotline to provide assistance and education in obtaining, using, and understanding health coverage. 7.0 full time staff support the program.
- **Technical Advisory Vendor (\$75,000):** A technical advisory vendor is included to provide ongoing technical assistance and subject matter expertise for the continued design, development, and implementation of OHIC's Affordability Standards. The OHIC adopted Affordability Standards as a set of policy standards which "align Rhode Island commercial insurance targets with use of innovative payment models in health care that focus on payment for quality, rather than volume."
- **Communications Manager (\$75,000):** The Communications Manager is responsible for engaging and educating stakeholders in the health insurance premium rate review process. The primary stakeholders are employers with a secondary focus on other consumers of health insurance.
- **CMS Data Preparation Fees (\$15,000):** These processing and service fees are paid to the Centers for Medicaid and Medicare Services (CMS) for data received directly from the federal agency for the Rhode Island All-Payer Claims Database.

Personnel

\$313,874

The Budget includes \$313,874 of general revenue to support staffing associated with the OHIC's health insurance rate review responsibilities. OHIC's rate review staff has previously been entirely financed through federal grants, the latest of which is set to expire September 30, 2016. The purpose of the grants have been to establish an effective capacity in the State to conduct health insurance rate reviews and to develop data centers that provide pricing data to consumers.

Based on the Office's FY2017 average cost per FTE position of \$154,656 the new funding equates to approximately 2.0 FTEs for FY2017. According to the Commissioner, OHIC is looking using the funds to support 3.0 FTE positions over 9 months. This approach assumes a \$20,000 short fall that OHIC is working with the Office of Management and Budget to address.

Department of Labor and Training

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$0.7	\$2.2	\$3.6	\$1.4	60.9%	\$2.5	\$0.3	11.8%
Income Support	386.7	399.2	380.4	(18.8)	-4.7%	368.3	(30.9)	-7.7%
Injured Workers Services	8.1	8.5	8.6	0.1	1.2%	8.6	0.1	1.2%
Labor Relations Board	0.4	0.4	0.4	0.0	2.7%	0.4	0.0	2.7%
Workforce Development Services	30.5	30.5	56.2	25.7	84.1%	36.9	6.4	20.9%
Workforce Regulation and Safety	2.8	2.9	2.9	(0.0)	-0.9%	2.8	(0.1)	-4.3%
Total	\$429.2	\$443.7	\$452.1	\$8.4	1.9%	\$419.5	(\$24.2)	-5.5%
Expenditures By Source								
General Revenue	\$8.6	\$8.3	\$8.4	\$0.1	0.9%	\$8.2	(\$0.1)	-1.5%
Federal Funds	35.9	38.2	56.9	18.7	49.1%	38.4	0.2	0.6%
Restricted Receipts	35.2	21.5	39.1	17.6	81.9%	23.6	2.1	9.8%
Other Funds	349.6	375.7	347.7	(28.0)	-7.5%	349.3	(26.4)	-7.0%
Total	\$429.2	\$443.7	\$452.1	\$8.4	1.9%	\$419.5	(\$24.2)	-5.5%
Authorized FTE Levels	410.0	410.0	409.5	(0.5)	-0.1%	409.5	(0.5)	-0.1%

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes various tax and benefit proposals (Article 3) to the Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) programs that provide employers with tax relief earlier than under current law. The proposed legislation changes the reserve ratios used to calculate the UI tax rate on employers for the following calendar year. The changes are projected to reduce the UI cost on employers by \$30.0 million a year beginning in calendar year 2017. The savings are projected to increase to \$40.0 million a year starting in calendar year 2019. Projections indicate that employers could see cumulative UI tax reductions of up to \$169.0 million through 2025 when compared to the current system's reserve requirements.

Other proposed changes in the Article include:

- Establishing a TDI Fraud and Program Integrity Task Force to educate the State's workforce about TDI and to reduce fraud.
- Reducing the time allowable for an employee to file a TDI claim from 1 year to 90 days.

The Budget funds the second year of the Real Jobs Rhode Island workforce training initiative. Real Jobs RI partnerships are employer-led industry collaborative designed to train Rhode Islanders to meet employer workforce demand. This program is based upon a similar program in the State of Maryland and expands sector-based strategies. In the first year, the program used unallocated Job Development Fund resources and federal funding to identify 26 statewide partnerships that will position these employer-led groups as the drivers of workforce training. In addition to federal funding resources, the Budget dedicates \$3.2 million in restricted receipts from the Jobs Development Fund in FY2017 by shifting funds from other programs. Goals set for the upcoming fiscal year include working with the 26 partnerships and an

estimated 187 employers to train 1,200 Rhode Islanders for vacant positions with a new employer or more advanced positions within their existing company.

The State is collaborating with Maine and Mississippi to develop a new Unemployment Insurance computer system, the “Unemployment Insurance Modernization Project.” The Department began testing the first pieces (Initial Claims filing) of the benefits system, with the Department planning to go live with the new benefits system in March 2017 and with the tax system in September 2017. All of the costs have been covered by UI funding provided by United States Department of Labor, therefore, no state financing is required.

Since 2009, the General Assembly has monitored the timeliness of the Department’s processing of claimant queries and unemployment insurance benefits. 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 March 16, 2016, the Department had 38 pending internet filed claims, 23 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time of 13 minutes.

The Budget includes 409.5 FTE positions in FY2016 and FY2017, reflecting a decrease of 0.5 FTE positions from the FY2016 Budget as Enacted, reflecting an offset of a 0.5 FTE position due to a retirement.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Budget includes 4.2 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Central Management	General Revenue
FY2016 Enacted	\$110,537
<i>Target and Other Adjustments</i>	<i>9,597</i>
FY2017 Enacted	\$120,134

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance (TDI), and the Police and Firefighters’ Relief Funds. The Budget includes 197.0 FTE positions in FY2016 and 207.0 FTE positions in FY2017. The fluctuation in FTE levels is solely due to changes in interdepartmental cost allocations.

Income Support	General Revenue
FY2016 Enacted	\$4,194,431
<i>Target and Other Adjustments</i>	<i>53,186</i>
Police and Firefighters' Relief Fund	(87,534)
FY2017 Enacted	\$4,160,083

Income Support	Other Fund Changes
Employment Security Trust Funds - Assistance and Grants	(\$27,300,319)
Article 16 - Making it Easier to do Business	Informational
Unemployment Insurance Benefit Statistics	Informational

Police and Firefighters' Relief Fund**(\$87,534)**

The Budget decreases general revenue \$87,534 for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects an increase of \$1,305 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$88,839 in annuity benefit payments.

	FY2016	FY2017	
Police Officers' Relief Fund	Enacted	Enacted	Change
Police Officer Annuities	\$869,004	\$823,833	(\$45,171)
Tuition Benefits	240,978	198,347	(42,631)
Supplemental Pension	-	-	-
Total	\$1,109,982	\$1,022,180	(\$87,802)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,619,738	\$2,576,070	(\$43,668)
Tuition Benefits	405,408	449,344	43,936
Supplemental Pension	-	-	-
Total	\$3,025,146	\$3,025,414	\$268
Grand Total	\$4,135,128	\$4,047,594	(\$87,534)

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

Employment Security Trust Fund – Assistance and Grants (federal and other funds) (\$27.3 million)

The Budget includes \$156.3 million for unemployment insurance (UI) benefit payments, reflecting a \$17.7 million decrease in net expenditures from the Employment Security Trust Fund as compared to the FY2016 Budget as Enacted. The decrease in unemployment insurance (UI) benefit payments is 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.

The Budget includes \$177.5 million for Temporary Disability Insurance (TDI) benefit payments, a net decrease of \$7.5 million, reflecting a decrease of \$500,000 for TDI Caregiver benefits and a decrease of \$7.0 million for TDI Benefit payments.

The Budget includes a \$2.1 million reduction in federal funds expenditures from the Employment Security Trust Fund as compared to the FY2016 Budget as Enacted, reflecting a reduction of \$1.5 million for short-time compensation and a \$600,000 reduction for Trade Readjustment Act benefit payments.

Making it Easier to do Business in Rhode Island (Article 16)**Informational**

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

Based on the State's experience over the last 20 years, the U.S. Department of Labor recommends that Rhode Island's UI system's financing goal should be a minimum reserve ratio of 3.0 percent prior to the beginning of the next recession. This represents approximately one year's worth of benefits at the average benefit payout over the highest three years out of the last 20. However, according to the Department of Labor and Training, because the State enacted significant benefit cuts in 2011 that have reduced benefit costs by approximately 23.0 percent per year, the Department believes it is appropriate to adjust the minimum recommended reserve ratio by this same factor which would result in a new minimum reserve ratio goal of 2.3 percent prior to the beginning of the next recession.

Under the current reserve ratios, the Department projects that the State will remain on tax Schedule I through 2020, dropping to tax Schedule H in 2021, and to tax Schedule G in 2022. Each drop in a tax Schedule reduces employer taxes by approximately \$20.0 million per year. The State would accumulate significant reserves (a projected \$821.0 million by 2025) with a reserve ratio of 3.25 percent which is safely above the minimum 2.3 percent recommended reserve ratio.

Unemployment Insurance Benefit Statistics

Informational

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

12 Months Ending 3rd Quarter 2015 Average UI Benefits Paid				12 Months Ending 3rd Quarter 2015 Average Weekly UI Benefits Paid			
State	Amount	New England	National	State	Amount	New England	National
Massachusetts	\$7,949	1	1	Massachusetts	\$446.86	1	2
Connecticut	5,780	2	7	Connecticut	353.55	2	16
Rhode Island	4,953	3	22	Rhode Island	332.59	3	23
Vermont	3,948	4	35	Vermont	327.36	4	24
Maine	3,915	5	36	New Hampshire	298.98	5	32
New Hampshire	3,884	6	37	Maine	296.98	6	29

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2016 Maximum Weekly UI Benefit				As of January 1, 2016 Maximum Weekly UI Benefit with Dependents Allowance			
State	Amount	New England	National	State	Rate	New England	National
Massachusetts	\$722	1	1	Massachusetts	\$1,083	1	1
Connecticut	598	2	5	Rhode Island	707	2	2
Rhode Island	566	3	8	Connecticut	673	3	3
Vermont	446	4	20	Maine	595	4	9
New Hampshire	427	5	25	Vermont*	446	5	26
Maine	397	6	33	New Hampshire*	427	6	29

Source: US Dept. of Labor

* No dependent's benefit provision
Source: US Dept. of Labor

INJURED WORKERS SERVICES

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. The Budget includes 49.1 FTE positions in FY2016 and 41.9 FTE positions in FY2017, reflecting a change in cost allocation between programs in the Department.

Injured Worker Services	Other Fund Changes
Personnel	\$50,412

Personnel (restricted receipts) \$50,412

The Budget includes a net increase of \$50,412 in restricted receipts for personnel costs. The major increase occurs with the staff at the Donley Rehabilitation Center, reflecting no anticipated turnover in FY2017 plus increased benefit costs at the Center. The Donley Center funding is derived solely from a portion of the proceeds derived from the annual 6.50 percent assessment on each insurer or self-insurer that issues policies for workers' compensation insurance.

In addition, increased personnel expenses occurred in the Police and Firemen's Relief Program due to the FTE position assigned to administer the benefits. The Department allocation increased the FTE allocation from 0.6 FTE position to 1.0 FTE position after realizing it took a full-time person to administer the program.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees. The Budget includes 2.0 FTE positions in FY2016 and FY2017, consistent with the enacted level. The two positions provide staff support to the Board.

Labor Relations Board	General Revenue
FY2016 Enacted	\$389,651
<i>Target and Other Adjustments</i>	<i>12,840</i>
FY2017 Enacted	\$402,491

WORKFORCE DEVELOPMENT SERVICES

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

The Budget includes 144.5 FTE positions in FY2016 and 134.5 FTE positions in FY2017, reflecting a net decrease of 10.0 FTE positions due to a change in cost allocation between programs in the Department.

Workforce Development Services	General Revenue
FY2016 Enacted	\$704,517
<i>Target and Other Adjustments</i>	<i>-</i>
Statewide Work Immersion	Informational
FY2017 Enacted	\$704,517

Workforce Development Services	Other Fund Changes
Workforce Assistance Grants	4,076,483
Governor's Workforce Board	1,639,000

Statewide Work Immersion Informational

The Budget provides \$704,517 in general revenue, level funding the Statewide Work Immersion program in FY2017. The Workforce Development Initiative was established in the FY2014 Budget as Enacted to

establish a Statewide Work Immersion program and a Non-trade Apprenticeship program, to be administered by the Governor's Workforce Board.

The Statewide Work Immersion program provides a 50.0 percent wage subsidy to a business that provides a paid work experience (i.e., internship) of up to 400 hours to an unemployed adult, college student, or Career & Tech high school student. An additional 25.0 percent is paid if the participant is permanently hired. The Statewide Work Immersion program is funded by general revenue and Job Development Funds. As of March 2016, 284 individuals and 140 companies the participating in this program.

Statewide Work Immersion Program	Number of Participants	Permanently Hired	Average Hourly Wage	Number of Companies	Contract Totals
College Students - FY2015	418	45	\$15.38	114	\$890,495
Unemployed - FY2015	308	115	12.56	102	657,563
Total FY2015	726	160		216	\$1,548,058
College Students - FY2016	171	3	*	72	\$345,301
Unemployed - FY2016	113	24	13.20	68	283,022
Total FY2016	284	27		140	\$628,323

Source: Department of Labor and Training

* Information not yet reported

To date the Department has made no expenditures on the Non-Trade Apprenticeship Program during FY2016.

Workforce Assistance Grants (federal funds)

\$4.1 million

The Budget increases federal funds by \$4.1 million for assistance and grants in the Workforce Development Services program, reflecting multiple changes across many of the federally funded training programs including:

- An increase of \$3.8 million in Workforce Innovation and Opportunities Act program, which is a federal act that provides workforce investment activities, through statewide and local workforce investment systems, to provide a variety of employment and training programs to prepare youth, unskilled adults, and dislocated workers for entry or re-entry into the labor force. It offers vocational planning, job search workshops, work readiness training, classroom training, and on-the-job training opportunities. According to the Department, the additional funds reflect an increase in the grant award and a carry-forward of permitted and obligated funds from FY2016.
- A decrease of \$346,032 for the Trade Readjustment Act program. The Trade Adjustment Assistance (TAA) Program is a federal program established under the Trade Act of 1974 that provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. The program offers a variety of benefits and reemployment services to help unemployed workers prepare for and obtain suitable employment. Workers may be eligible for training, job search and relocation allowances, income support, and other reemployment services. According to the Department, the reduction in Trade Readjustment Act funds is a result of fewer companies being certified trade eligible which also reduces the number of participants in the Trade program. The Department will continue to provide services as needed.
- A decrease of \$140,067 for the Workforce Innovation Fund program. The Workforce Innovation Fund (Act) is a 2012 federal grant program from which the State received \$2.8 million to support employment and training services. The Budget does not include funding for the program in FY2017. According to the Department, the FY2016 funds represented the final disbursement of funds from the federal grant.
- An increase of \$22,515 for various other federally funded workforce programs.

Governor's Workforce Board (restricted receipts)**\$1.6 million**

The Budget increases the Governor's Workforce Board by \$1.6 million, reflecting projected increases on the amount of workforce training awards the Board will issue in FY2017. The Board administers multiple grant programs for employers to conduct skills training, to make businesses more efficient or competitive, or to assist a company to expand services.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Budget includes 26.9 FTE positions in FY2016 and in FY2017.

Workforce Regulation and Safety	General Revenue
FY2016 Enacted	\$2,925,633
<i>Target and Other Adjustments</i>	<i>10,191</i>
Misclassification Task Force	(110,413)
FY2017 Enacted	\$2,825,411
Misclassification Task Force	(\$110,413)

The Budget eliminates 3.0 FTE positions for the Misclassification Task Force thereby decreasing general revenue \$110,413 in FY2017. The three positions were filled at the end of the first quarter of FY2016 and were to assist the Task Force in enforcing the compliance of labor standard laws.

CAPITAL PROJECTS

The Budget includes a total of \$6.8 million in RICAP funded capital projects between FY2016 and FY2020. The projects include:

- \$1.2 million in RICAP funds in FY2016 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.
- \$5.5 million in RICAP funds for the Center General Asset Protection plan to address deficiencies throughout the buildings housing both the Department of Labor and Training and the Department of Business Regulation. The Budget includes a "lump sum" appropriation for each year, allowing the Department to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Director of Revenue	\$1.1	\$1.1	\$0.8	(\$0.4)	-31.2%	\$1.1	\$0.0	0.2%
Lottery Division	334.7	303.9	348.3	44.4	14.6%	362.4	58.5	19.3%
Municipal Finance	2.4	2.2	2.5	0.3	12.6%	3.1	0.9	39.6%
Office of Revenue Analysis	0.5	0.6	0.6	(0.0)	-3.7%	0.8	0.2	40.4%
Registry of Motor Vehicles	20.3	24.5	26.8	2.4	9.7%	28.6	4.1	16.8%
State Aid	67.1	68.2	67.9	(0.3)	-0.4%	65.8	(2.3)	-3.4%
Taxation	23.0	22.8	23.3	0.7	3.0%	23.7	0.9	4.0%
Total	\$449.0	\$423.2	\$470.3	\$47.1	11.1%	\$485.5	\$62.3	14.7%
Expenditures By Source								
General Revenue	\$107.0	\$113.2	\$110.2	(\$3.0)	-2.7%	\$113.9	\$0.7	0.6%
Federal Funds	4.3	1.3	5.8	4.5	341.7%	2.1	0.8	63.1%
Restricted Receipts	1.7	3.9	4.9	1.0	26.7%	5.9	2.1	52.7%
Other Funds	336.0	304.8	349.4	44.6	14.6%	363.5	58.7	19.3%
Total	\$449.0	\$423.2	\$470.3	\$47.1	11.1%	\$485.5	\$62.3	14.7%
Authorized FTE Levels	505.0	514.5	514.5	-	0.0%	523.5	9.0	1.7%

\$ 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 FY2017

General revenue is largely level-funded for the Department's FY2017 Budget, increasing by \$695,505 (0.6 percent) to \$113.9 million. An increase of \$57.8 million in other funds is based on the revised May 2016 Revenue Estimating Conference estimates of lottery receipts and awards.

Article 9 delays the license plate reissuance from July 1, 2016, until April 1, 2017, to allow key Division of Motor Vehicles (DMV) staff time to complete the Rhode Island Motor Vehicle System (RIMS) information technology project which is scheduled to launch in September, 2016. The Budget includes \$3.0 million in general revenue for FY2017 startup costs (shifted from FY2016) to begin issuing the new license plates.

Within the DMV the Budget includes \$99,973 in pilot funding for extended hours at select DMV branches. The time and location at which these extended hours will occur remain to be determined and are subject to agreement between the Department and employee unions. Costs are based upon salary and benefits for 3.0 Customer Service Representatives, 1.0 Supervisor, and 1.0 Capitol Police Officer for security. The Budget does not include any additional operating costs (for example: lease, alarm, supplies, and computer equipment) as most of those costs are fixed.

The Budget includes a \$120,000 increase in general revenue to fund software development for the Municipal Transparency Portal. The Transparency Portal, established in Article 8 is a software program that will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit "budget-to-actual financial information" three times per year, including a data report for the municipality's general fund.

The Distressed Community Relief program is increased in the Budget by \$2.0 million. Total aid from this program goes to cities and towns that have relatively high property taxes, as compared to their citizens' ability to pay, will be \$12.4 million in FY2017.

An increase of \$376,384 in general revenue funds 6.0 new FTE positions to support the Division of Taxation's expanded tax collection enforcement activities. The positions, 2.0 FTE Revenue Agents, 3.0 Revenue Officers, and 1.0 Revenue Policy Analyst, will implement the Nexus Program and Transfer Pricing Audit projects, which are projected to increase net revenues by \$10.6 million.

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 8.3 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Director of Revenue	General Revenue
FY2016 Enacted	\$1,144,238
<i>Target and Other Adjustments</i>	
	2,809
FY2017 Enacted	\$1,147,047

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 FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Lottery Division	Other Fund Changes
FY2016 Enacted	\$303,850,780
<i>Target and Other Adjustments</i>	
	7,384
Commissions and Prize Payments	57,800,376
Personnel & Contract Services	708,684
FY2017 Enacted	\$362,367,224

Commissions and Prize Payments (other funds) \$57.8 million

The net increase of \$57.8 million in Commissions and Prize Payments is based on the May 2016 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) net terminal income. Commissions and prize payments increase by \$34.9 million from VLT play, and by \$22.8 million from net table game revenue (NTGR). NTGR is deposited in the State lottery fund for administrative purposes with commissions distributed to Twin River and the balance being remitted to the General Fund. Of this increase, \$56.2 million is related to lottery payments, \$1.3 million for advertising, and the balance (\$293,530) funds program supplies.

Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville began operations in June 2015.

Personnel & Contract Services (other funds) \$708,684

The Budget includes \$708,684 for personnel and contract expenses. The Budget fully funds the authorized 84.0 FTE positions in the program, increasing \$528,090 over the enacted level from filling vacant positions. The Budget also includes \$180,594 for contract expenses for financial and temporary services.

DIVISION OF MUNICIPAL FINANCE

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

The Division played a pivotal role in managing the Receivership of the City of Central Falls, and an increasing number of communities are requiring state assistance to navigate fiscal challenges. In FY2016 the Division began overseeing a state-appointed administrative fiscal advisor who splits time between the communities of East Providence and Woonsocket. Under the Fiscal Stability Act, the State is required to reimburse these municipalities 50.0 percent of cost of the advisor. It is expected that this oversight will continue throughout FY2017.

The Budget includes 17.0 FTE positions in FY2016 and 18.0 FTE positions in FY2017, an increase of 1.0 FTE position over the enacted level.

Municipal Finance	General Revenue
FY2016 Enacted	\$2,186,998
<i>Target and Other Adjustments</i>	
Central Falls Support	(185,453)
Central Falls Retiree Payments	600,000
Municipal Transparency Portal	250,703
Personnel	120,000
FY2017 Enacted	\$3,053,887

Central Falls Support \$600,000

The Budget includes \$600,000 in general revenue to assist the City of Central Falls with operating and personnel costs. This appropriation is part of the State's on-going financial partnership with the city following its emergence from bankruptcy in 2012.

Central Falls Retiree Payments \$250,703

The Budget provides \$250,703 within the Office of Municipal Finance as part of the financing that supports the pension costs of retired Central Falls employees. Legislation enacted in 2014 requires the State to appropriate sufficient funds to ensure that the city retirees receive 75.0 percent of their base pension benefit.

Municipal Transparency Portal \$120,000

The Budget includes a \$120,000 increase in general revenue to fund software development for the Municipal Transparency Portal. The Transparency Portal, established in Article 8, is software program which will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit "budget-to-actual financial information" three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality's general

fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal.

Personnel **\$81,639**

The Budget includes \$81,639 for salary and benefits for a new 1.0 FTE Programming Services Officer. This position will be responsible for the implementation and maintenance of the Transparency Portal.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis (ORA) analyzes the State's tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State's sales tax and personal income tax models. The Budget includes 4.0 FTE positions in FY2016 and 6.0 FTE positions in FY2017 for the program, an increase of 2.0 FTE positions of the enacted level.

Office of Revenue Analysis	General Revenue
FY2016 Enacted	\$574,490
<i>Target and Other Adjustments</i>	
	(59)
Personnel	204,905
Sales Tax Simulation Model	27,500
FY2017 Enacted	\$806,836

Personnel **\$204,905**

The Budget includes \$204,905 to hire 1.0 new Revenue Policy Analyst and 1.0 Senior Economic and Policy Analyst to assist in performing statutory reporting obligations and analyzing economic development projects. The additional positions will assist ORA in meeting statutorily required reporting obligations and be responsible for utilizing the ORA's economic and forecasting software modeling tool. This model incorporates input-output analysis and economic geography to analyze the economic impact of various policy changes and development projects.

Sales and Use Tax Simulation Model **\$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 (DMV) is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some license and registration DMV services at select branch locations. The Budget includes 179.0 FTE positions in FY2016 and FY2017 for the program, an increase of 6.5 FTE positions from the FY2016 Budget as Enacted.

Division of Motor Vehicles	General Revenue
FY2016 Enacted	\$22,323,244
<i>Target and Other Adjustments</i>	<i>(18,080)</i>
Operating Expenses	639,013
Personnel	624,240
Extended Service Hours	99,973
License Plate Reissuance	Informational
Rhode Island Motor Vehicle System (RIMS)	Informational
FY2017 Enacted	\$23,668,390

Operating Expenses **\$639,013**

The Budget includes \$639,013 for increased operating expenses, including RIMS maintenance and stock plates, ID cards, and licenses for the planned license plate reissuance.

Personnel **\$624,240**

The Budget includes \$624,240 for personnel costs, including step and cost-of-living increases and statewide adjustments.

Extended Service Hours **\$99,973**

The Budget includes \$99,973 to fund extended hours at select DMV branches. The times and places at which these extended hours would take place remains to be determined. Costs are based on salary and benefits for 3.0 Customer Service Representatives, 1.0 Supervisor, and 1.0 Capitol Police Officer for security. The Budget does not include any additional operating costs (for example: lease, alarm, supplies, and computer equipment) as most of those costs are fixed.

Analyst's Note: Although the Department requested to begin extended service hours at the DMV in FY2016, the DOR does not have a start date scheduled. Originally two options were being considered: weekend hours at two branch locations, or extending evening hours at the Cranston location. The Department is currently in discussions with union representatives regarding the overall topic of extending service hours. According to the Department weekend hours are no longer being considered.

License Plate Reissuance **Informational**

Article 9 delays the scheduled license plate reissuance from July 1, 2016, until April 1, 2017. Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed three times previously: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance to September 2015; and the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016. Prior to the Budget the law had required the Division to reissue license plates by July 1, 2016.

The delay is attributable to several factors including the fact that the coordination and effort required by the DMV to complete the re-issuance project will affect personnel who are working on the implementation of the Rhode Island Motor Vehicle System (RIMS) information technology (IT) project (a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system). The personnel assigned to RIMS would need to be pulled off and reassigned to the re-issuance project to ensure it is successfully coordinated, potentially delaying the planned implementation date in December, 2016.

The FY2016 Budget as Enacted included a provision that all unexpended balances in FY2016 would shift to FY2017, thus the \$3.0 million originally intended to fund the FY2016 reissuance is reappropriated to FY2017. The revised FY2016 Budget is reduced by \$3.0 million.

Rhode Island Motor Vehicle System (RIMS)

Informational

The Division of Motor Vehicles (DMV) has been implementing the RIMS, a database designed to provide a new, real-time, and customer-centric computer system to replace the DMV's current legacy system. RIMS will provide efficient processing, tracking, payment, and security upgrades. The replacement of the legacy system is required due to outdated technology which cannot respond to legislative changes, federal mandates, nor incorporate the hundreds of interfaces with outside entities. The project began in FY2007.

The project has been funded by certificates of participation (COPs), restricted receipts, and general revenue. Restricted receipts (budgeted at \$2.1 million in both FY2016 revised and FY2017) are generated through a \$1.50 surcharge on all DMV customer service transactions which pays for the COPs debt service. The Budget allocates \$1.0 million in restricted receipts in FY2016 and \$2.0 million in FY2017 for IT system support for this DMV modernization project. The DMV surcharge has a sunset date of June 1, 2017 at which time the debt service is anticipated to be paid off. According to the Department, RIMS is scheduled to be online by September 2016.

STATE AID

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

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

State Aid	General Revenue
FY2016 Enacted	\$67,243,627
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<i>Target and Other Adjustments</i>	<i>(2,000,000)</i>
Municipal Incentive Aid Program	(5,000,000)
Distressed Communities Aid	2,000,000
PILOT	1,898,694
Property Revaluation Program	(1,218,859)
Fiscal Stability Act	Informational
FY2017 Enacted	\$62,923,462

Municipal Incentive Aid Program

(\$5.0 million)

The Budget eliminates funding for the Municipal Incentive Aid program due to the sunset of the program in FY2016 leading to a savings of \$5.0 million. The FY2014 Enacted Budget established and funded the Municipal Incentive Aid program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there was no requirement that the state aid be spent by municipalities for this purpose. Although the FY2017 Budget no longer funds the Municipal Incentive Aid Program, RIGL 45-65-6 still requires municipalities with locally administered pension plans to submit funding improvement plans (FIP) should a municipality's pension funding status fall below 60.0 percent.

The FY2016 Revised Budget earmarks \$136,148 of FY2015 unspent incentive aid for the Town of Johnston. The town's originally submitted FIP failed to meet the required guidelines established by the Pension Study Commission and aid has been withheld from Johnston since. This reappropriation is being recommended in anticipation of a revised plan.

Distressed Communities Aid**\$2.0 million**

The Distressed Community Relief program is increased by \$2.0 million. Total aid from this program to cities and towns that have relative high property taxes as compared to their citizens' ability to pay will be \$12.4 million in FY2017.

Distressed Community Relief Fund Distribution

Municipality	FY2016	FY2017	Change
	Enacted	Budget	
Central Falls	\$211,123	\$223,894	\$12,771
Cranston	-	1,341,001	1,341,001
East Providence	685,142	817,097	131,955
North Providence	989,710	1,032,992	43,282
Pawtucket	1,430,131	1,523,936	93,806
Providence	5,332,583	5,604,285	271,703
West Warwick	835,708	891,916	56,208
Woonsocket	900,062	949,336	49,274
Total	\$10,384,458	\$12,384,458	\$2,000,000

PILOT**\$1.9 million**

The Payment in Lieu of Taxes (PILOT) program is increased by \$1.9 million, to \$50.0 million, in FY2017. The PILOT program assists municipalities by offsetting lost revenue on tax-exempt property. The State reimburses local communities 27.0 percent of the value of what otherwise would have been collected. The Budget represents a reimbursement rate of 27.0 percent of forgone tax revenue for the first time since 2007.

Property Revaluation Program**(\$1.2 million)**

The Budget includes \$559,900 for the Property Revaluation program in FY2017, a decrease of \$1.2 million from the FY2016 Budget as Enacted, based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2017: Charlestown, Cumberland, Gloucester, Hopkinton, North Providence, Richmond, and West Greenwich.

Community	Amount
Charlestown	\$66,560
Cumberland	153,965
Gloucester	50,846
Hopkinton	41,051
North Providence	182,851
Richmond	38,189
West Greenwich	26,438
Total	\$559,900

Fiscal Stability Act**Informational**

The 2013 General Assembly created the Fiscal Stability Act (FSA). Under the FSA, upon determination by the Director of Revenue that a Fiscal Overseer, Receiver, or Budget Commission is no longer required in a municipality or fire district, the Director must appoint a finance advisor (or in a community where a bankruptcy petition has been filed, an Administration and Finance Officer) for a period of 5 years. These positions ensure that a municipality or fire district exiting oversight remains on a path of fiscal stability and sound financial management practices. The legislation requires the State reimburse communities 50.0

percent of the costs of ongoing State oversight. Currently, Central Falls has an Administration and Finance Officer in place, and both East Providence and Woonsocket have a Finance Advisor.

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Budget includes funding for 224.0 FTE positions in FY2016 and 231.0 FTE positions in FY2017, an increase of 6.0 FTE positions from the FY2016 Budget as Enacted.

Taxation	General Revenue
FY2016 Enacted	\$19,725,849
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<i>Target and Other Adjustments</i>	<i>192,096</i>
Personnel	376,384
State Tax Administration and Revenue System	Informational
FY2017 Enacted	\$20,294,329
Personnel	\$376,384

The Budget includes an increase of \$376,384 to hire 5.0 new FTE positions for tax enforcement initiatives and 1.0 new FTE revenue policy analyst position. The positions, 2.0 new Revenue Agents (salary of \$63,071 each) and 3.0 new Revenue Officer 1 positions (salary of \$55,627 each) will assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns. The revenue policy analyst will work on the Nexus program ensuring that companies required to remit sales tax in Rhode Island are doing so. These positions will help implement the Nexus Program and Transfer Pricing Audit Project, which are projected to increase net revenues by \$10.6 million due to increased compliance and collections.

Nexus Program: The Governor includes \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, back to when the entity was first obligated to file and collect back taxes owed. This program was part of the Division from 1993 through 2010 and collected over \$19.0 million, averaging over \$1.0 million per year and 3,480 new registrants and tax filers. The Division estimates the reestablished program will also generate revenue of \$1.0 million annually.

Transfer Pricing Audit Project: This initiative allows the Division of Taxation to contract with a third-party vendor to identify candidates for audits of companies that have intercompany transactions between related companies. Prior to the State's implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look back period and is estimated to capture \$6.7 million in (one-time) underpaid taxes.

State Tax Administration and Revenue System (STAARS)

Informational

Since 2013, the Division of Taxation has been implementing a State Tax Administration and Revenue System (STAARS). The goal of this project is to acquire and implement a modern tax information technology system that would centralize all taxpayer information in one computer system. The Division of Taxation is the primary revenue collecting agency for the State, responsible for administering 57 different taxes and fees amounting to nearly \$3.0 billion annually. The Division of Taxation currently operates a number of software systems, with the most critical of these systems being 40 years old. According to the Department, this antiquated system is expensive to maintain and the Division of Information Technology (DoIT) is not able to support staff training on this technology. Also, staff must evaluate multiple systems to determine a taxpayer's balance, which includes status of bankruptcies, audits, and license renewals, in order to monitor and enforce tax compliance.

This five-year project began in FY2013 and is expected to be completed in three phases, which includes purchasing hardware, designing software infrastructure, and transferring taxpayer collections data to the new system. The project is funded entirely through certificates of participation (COPs), which are authorized up to \$25.0 million, of which \$17.1 million has been spent through FY2016. Completed projects as of October 2015, include procurement and installation of software and hardware, transfer of international fuel tax agreement (IFTA) data, and shifting certain personal income, corporate, and excise tax types to the new system. The Division expects remaining tax types (withholding, sales, and corporate tax) to be online in November 2016. The online taxpayer portal is scheduled to go live in January 2017, followed by revenue accounting in June 2017.

Legislature

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from		
	Actual	Enacted	Revised	Enacted		Enacted	Enacted		
General Assembly	\$5.1	\$5.5	\$6.7	\$1.2	21.7%	\$5.7	\$0.2	3.6%	
Fiscal Advisory Staff	1.5	1.8	1.9	0.1	2.9%	1.9	0.0	2.6%	
Legislative Council	3.7	5.0	4.9	(0.1)	-2.0%	5.4	0.3	6.7%	
Joint Comm. on Legislative Services	21.5	23.2	25.2	2.0	8.6%	24.1	0.9	4.1%	
Auditor General	4.4	5.6	5.4	(0.2)	-3.6%	5.6	0.1	1.2%	
Special Legislative Commissions	0.0	0.0	0.0	0.0	0.0%	0.0	-	1.4%	
Total	\$36.2	\$41.2	\$44.1	\$3.0	7.2%	\$42.7	\$1.6	3.7%	
Expenditures By Source									
General Revenue	\$34.9	\$39.5	\$42.5	\$3.0	7.6%	\$41.1	\$1.6	4.0%	
Restricted Receipts	1.3	1.7	1.6	(0.1)	-3.9%	1.7	0.0	0.9%	
Total	\$36.2	\$41.2	\$44.1	\$3.0	7.2%	\$42.7	\$1.6	3.6%	
Authorized FTE Levels	298.5	298.5	298.5	-	0.0%	298.5	-	0.0%	

\$ 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 FY2017

The Budget includes \$42.7 million for the Legislature in FY2017, including \$41.1 million in general revenues. Restricted receipts total \$1.7 million and are dedicated to fund, in part, the Auditor General's office. These funds are derived from a 0.5 percent audit fee that assessed on all federal grants in state departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit Report publication.

The FY2017 budget funds 298.5 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Lieutenant Governor

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Lt. Governor's Office	\$1.0	\$1.2	\$1.0	(\$0.1)	-12.5%	\$1.1	(\$0.1)	-9.5%
Expenditures By Source								
General Revenue	\$1.0	\$1.1	\$1.0	(\$0.1)	-7.5%	\$1.1	\$0.0	0.0%
Federal Funds	0.0	0.1	-	(0.1)	-7.5%	-	(0.1)	0.0%
Restricted Receipts	0.0	-	-	-	0.0%	-	-	0.0%
Total	\$1.0	\$1.2	\$1.0	(\$0.1)	-12.5%	\$1.1	(\$0.1)	-9.5%
Authorized FTE Levels	8.0	8.0	8.0	-	0.0%	8.0	-	0.0%

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

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Budget includes 8.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2017

The Lieutenant Governor's budget is entirely financed with \$1.1 million in general revenue for FY2017, a 7.0 percent decrease from the FY2016 enacted level. The Lieutenant Governor serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair).

The Office's FY2017 Budget is comprised almost entirely of personnel costs. The Budget fully funds the Office's 8.0 FTE positions.

Lt. Governor's Office	General Revenue
FY2016 Enacted	\$1,127,621
<i>Target and Other Adjustments</i>	(55)
Contracted Legal Services	(30,000)
Personnel	(17,990)
FY2017 Enacted	\$1,079,576

Contracted Legal Services **(\$30,000)**

The Budget eliminates \$30,000 in general revenue funding designated for contracted legal services within the Office of Lieutenant Governor.

Personnel **(\$17,990)**

The Budget changes 1.0 FTE Health Policy Director position to 1.0 FTE Policy and Administrative Aide position, reducing personnel costs by \$17,990. In FY2015, the federal Exchange Establishment One Grant funded the Health Policy Director position; however, the position has been vacant due to the expiration of this grant. The administrative aide position performs clerical duties and serves as staff support at statutory committees that the Lieutenant Governor chairs.

Office of the Secretary of State

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Administration	\$2.3	\$2.6	\$2.6	\$0.0	0.9%	\$3.5	\$1.0	38.6%
Corporations	2.1	2.3	2.2	(0.1)	-3.8%	2.2	(0.1)	-4.8%
State Archives	0.6	0.7	0.6	(0.1)	-11.9%	0.8	0.1	14.8%
Elections and Civics	1.6	1.0	0.9	(0.9)	-8.9%	3.4	2.4	231.8%
State Library	0.5	0.6	0.6	0.0	0.8%	0.6	0.0	0.4%
Office of Public Information	0.5	0.9	0.9	4.2%	4.6%	0.5	(0.4)	-42.3%
Total	\$7.7	\$8.0	\$7.8	(\$0.2)	-2.3%	\$10.9	\$3.0	36.9%
Expenditures By Source								
General Revenue	\$7.2	\$7.0	\$6.7	(\$0.2)	-2.9%	\$10.3	\$3.3	47.9%
Federal Funds	0.0	-	0.0	0.0	0.0%	-	-	0.0%
Restricted Receipts	0.5	0.6	0.6	(0.0)	-5.5%	0.6	(0.0)	-7.1%
Operating Transfers from Other Funds	0.0	0.4	0.5	0.0	6.1%	0.1	(0.3)	-77.1%
Grand Total	\$7.7	\$8.0	\$7.8	(\$0.2)	-2.3%	\$10.9	\$3.0	36.9%
Authorized FTE Levels	57.0	57.0	57.0	-	0.0%	59.0	2.0	3.5%

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes 57.0 FTE positions in FY2016 and 59.0 in FY2017. In addition to the increase in authorized FTEs in FY2017, the Budget shifts FTEs throughout several programs within the Office. The Budget increases general revenue by \$768,000 for expenses to administer the November 2016 (FY2017) general election. The largest expenses are for printing and mailing of ballots and referenda materials. \$195,000 of funding is also included in the Budget for an electronic poll book pilot program.

The Office has been working with the Office of Regulatory Reform (ORR) within the Office of Management and Budget to create an online, indexed, and searchable Code of State Regulations. The State's current system is limited to final rules and does not capture the artifacts used in the creation process. The Office anticipates a December 2017 implementation date for the project. The Budget includes \$625,307 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations. Funding will be used to contract a senior level data developer and a data architect (\$325,307); and \$300,000 to purchase hardware, licensing, and maintenance agreements.

In July 2015, legislation was signed giving authority to the Secretary of State to procure new voting machines. The current machines are almost 20 years old. The Office convened a Voting Equipment Task Force, a group of twenty representatives from political parties, good government groups, and municipal staff, to assist in the development of minimum requirements for a request for proposals (RFP) for the new equipment. The Budget includes \$1.4 million in general revenue to purchase new voting equipment. Expenses include licensing, maintenance, services, and hardware.

The Budget includes \$100,000 in FY2017 in Rhode Island Capital Plan (RICAP) funds to conduct a feasibility study and subsequent architecture and engineering services to identify a permanent facility for the State Archives to replace the currently leased space in downtown Providence.

ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs. The Budget includes 19.6 FTE positions in FY2017 for the program, 1.6 FTE positions above the FY2016 Budget as Enacted.

Administration	General Revenue
FY2016 Enacted	\$2,553,390
<i>Target and Other Adjustments</i>	<i>76,812</i>
Regulatory Reform Initiative	625,307
Personnel	184,295
E-Government IT Upgrades	99,415
FY2017 Enacted	\$3,539,219

Regulatory Reform Initiative **\$625,307**

The Budget includes \$625,307 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations. Funding will be used to contract a senior level data developer and a data architect (\$325,307); and, \$300,000 to purchase hardware, licensing, and maintenance agreements.

The Office has been working with the Office of Regulatory Reform (ORR) within the Office of Management and Budget to create an online, indexed, and searchable Code of State Regulations. The State's current system is limited to final rules and does not capture the artifacts, such as records of public testimony or letters of interest, used in the rule-making process. The Office anticipates a December 2017 implementation date for the project.

Personnel **\$184,295**

The Budget includes an increase of \$184,295 for salary and benefits within the Administration program. This amount funds 1.0 new FTE Junior Application Developer position (\$51,570) for a full year which will be assigned to the implementation and management of the Online Code of State Regulations database. The Budget also reflects an increase of 0.6 FTE Visitor Center Administrator (0.4 FTE is housed within the Office of Public Information). The balance of the personnel increase reflects salary and benefit changes for current personnel.

E-Government IT Upgrades **\$99,415**

The Budget includes \$99,415 to purchase two new data backup systems. The Secretary of State is responsible for the management of its own information technology needs and does so through its eGov/IT Division. This responsibility includes ensuring that all of its data systems, both internal and public facing, are properly backed up and secured in order to ensure against breach or loss of data.

The Division's current hardware, which stores data backups dating to 2011, will no longer be supported by the vendor by March 2017. The purpose of the 2 data domain systems is for long-term backup. One is used each night and the other is used weekly. The storage is permanent and does not go through a retention schedule.

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 21.0 FTE positions in both FY2016 and FY2017 for the Division, consistent with the enacted level.

Corporations	General Revenue
FY2016 Enacted	\$2,302,691
<i>Target and Other Adjustments</i>	<i>(10,666)</i>
Operating Expenses	(99,398)
FY2017 Enacted	\$2,192,627

Operating Expenses **(\$99,398)**

The Budget decreases operating expenses by \$99,398 for decreased lease costs for space at West River Street, Providence. In August 2015, the State Properties Committee renegotiated the new monthly lease rate (\$19,139) for the space, a monthly decrease of \$11,251 (from \$30,039 monthly) under the previous lease terms which expired January 2016.

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 FY2016) with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 3.2 FTE positions in FY2016 and 4.2 FTE positions in FY2017 for the Division, an increase of 1.0 FTE over the FY2016 Budget as Enacted; however, the additional position is funded within the Administration program and not reflected in the funding changes below.

State Archives	General Revenue
FY2016 Enacted	\$69,266
<i>Target and Other Adjustments</i>	-
Copy Editor	64,455
Historical Records Trust	Informational
FY2017 Governor	\$133,721

Copy Editor **\$64,455**

The Budget includes \$64,455 for 1.0 FTE copy editor who will work to systematize the regulatory codes. This position is part of the Secretary of State's Regulatory Reform initiative to create an online, indexed, and searchable Code of State Regulations.

Historical Records Trust **Informational**

The Budget uses the Historical Records Trust (restricted receipts) to fund certain personnel and operating costs in the State Archives program, which in FY2017, includes a reduction of \$67,589 primarily for decreased personnel expenses. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust helps to fund operating costs in the State Archives program.

Historical Records Trust					
	FY2013	FY2014	FY2015	FY2016	*FY2017
Collections	\$500,331	\$445,382	\$466,886	\$506,285	\$516,519
Expenditures		445,382	470,308	506,285	516,519

**FY2017 Budget estimate*

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year. The Budget includes a staffing level of 3.0 FTE positions in both FY2016 and FY2017 for the Division, consistent with the FY2016 enacted level.

Elections and Civics	General Revenue
FY2016 Enacted	\$1,017,899
<i>Target and Other Adjustments</i>	<i>(41,213)</i>
Voting Equipment	1,385,000
Election Costs	768,000
E-Poll Books	195,000
Online Voter Registration Portal	130,000
Operating Costs	(77,583)
FY2017 Enacted	\$3,377,103

Voting Equipment

\$1.4 million

The Budget includes \$1.4 million in general revenue to purchase new voting equipment. Expenses include licensing, maintenance, services, and hardware.

In July 2015, legislation was signed giving authority to the Secretary of State to procure new voting machines. The current machines are almost 20 years old. The Office convened a Voting Equipment Task Force, a group of twenty representatives from political parties, good government groups, and municipal staff, to assist in the development of minimum requirements for a request for proposals (RFP) for the new equipment. The specifications include an optical scan precinct count paper ballot tabulation system, which will allow various precincts to accurately and quickly report vote counts; accessible voting equipment; ballot on-demand printer systems; and, a full service maintenance contract. On July 21, 2016 the Secretary of State announced that 590 new state-of-the-art voting machines developed and manufactured by Nebraska-based Elections Systems and Software have been purchased and will be ready for use in the November 2016 election.

Election Costs

\$768,000

The Budget increases general revenue by \$768,000 for expenses related to the November 2016 (FY2017) general election. The largest expenses are for printing and mailing of ballots and referenda materials. The funding estimates are based on actual costs from previous elections. The following table summarizes election costs within the Elections and Civics program. Of note, expenses decrease in even-numbered fiscal years when there is no statewide general election; however, costs may be incurred for local or special elections.

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Revised	FY2017 Enacted
Ballot Printing	\$647,415	\$35,309	\$727,434	\$96,000	\$700,000
Elections/Referenda Mailing	60,955	2,004	12,541	5,000	50,000
Referenda Printing	77,077	-	91,421	-	93,000
Legal/Other Costs	20,456	-	24,549	-	26,000
Total	\$805,903	\$37,313	\$855,945	\$101,000	\$869,000

*FY2015 and FY2017 costs are combined with referenda mailing expenses.

E-Poll Books

\$195,000

The Budget includes \$195,000 in general revenue for an electronic poll book (e-poll book) pilot program within the Secretary of State's Elections and Civics Divisions. An e-poll book is combination of hardware and software that allows officials to more accurately and quickly administer election activity including voter lookup, verification, identification, precinct assignment, ballot assignment, voter history update and other functions such as name change, address change and/or redirecting voters to correct voting locations. The pilot plans to deploy 200 electronic poll books during the 2016 fall elections at select test sites, with the goal to eventually scale up to 1,600 units statewide for 2018.

Online Voter Registration Portal

\$130,000

The Budget includes \$130,000 to purchase software that will allow voters to register or update their voter registration information online. The Office intends to integrate this system into the State's current registration database. Currently, twenty-three states, including Massachusetts and Connecticut, provide this online service.

Analyst Note: Legislation was enacted in FY2016 to allow online voter registration.

Operating Costs

(\$77,583)

The Budget decreases operating expenses by \$77,583 due to a reduction in computer expenses (\$43,831) and lease costs (\$33,752) for space at West River Street, Providence.

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 FY2016 and FY2017 for the Library, consistent with the enacted level.

State Library	General Revenue
FY2016 Enacted	\$551,744
<i>Target and Other Adjustments</i>	9,040
Community Service Grants	(6,635)
FY2017 Enacted	\$554,149
Community Service Grants	(\$6,635)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for

the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. The Secretary of State is appropriated \$143,000 of general revenue for CSO grants, a reduction of \$6,635 from the FY2016 Budget as Enacted. \$125,000 in CSO funding is specifically designated for the Rhode Island Historical Society.

OFFICE OF PUBLIC INFORMATION

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions. The Budget includes 3.0 FTE positions in FY2016 and 3.4 FTE positions in FY2016 for the Office, an increase of 0.4 FTE position within the Office.

Office of Public Information	General Revenue
FY2016 Enacted	\$456,540
<i>Target and Other Adjustments</i>	
	9,992
Rhode Island Government Owner's Manual	17,700
State House Visitor's Center & Gift Shop (restricted receipts)	Informational
FY2017 Governor	\$484,232

Rhode Island Government Owner's Manual **\$17,700**

The Office increases expenses for printing services by \$17,700 in general revenue for the printing of the Rhode Island Government Owner's Manual in FY2017. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional delegates, general officers, members of the General Assembly, as well as city and town councils. The FY2015 Budget as Enacted included the funding for the printing requirement for the 2014 election.

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 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 visitor center officially opened on December 5, 2013, and serves as a starting point for those tours, with the prospect of a self-guided tour in the future. The Budget includes \$40,000 in restricted receipts to replenish inventory and fund the 0.4 FTE Visitor Center Administrator in FY2017 for this program. In FY2015, the visitor center accrued over \$24,766 in receipts.

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 4.8 FTE positions in both FY2016 and FY2017 for the program, consistent with the enacted level.

CAPITAL PROJECTS

The Budget includes \$100,000 in FY2017 to conduct a feasibility study and subsequent architecture and engineering services for the purpose of identifying a permanent facility for the State Archives. The current leased space in downtown Providence includes a basement storage area that houses approximately 4,400 cubic feet of archival records. The basement is susceptible to severe flooding, and requires archival staff to be on-call 24 hours a day to report to the building if the water sensors are triggered, and many of Rhode Island's irreplaceable historical records are at considerable risk of damage or permanent loss. Over the past 25 years, rental costs for this property have totaled \$5.4 million.

Office of the General Treasurer

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Treasurer	\$2.7	\$2.9	\$2.9	-	-	\$3.4	\$0.5	17.2%
State Retirement System	11.8	11.8	12.6	0.8	6.8%	9.8	(2.0)	-16.9%
Unclaimed Property	25.4	22.4	25.8	3.4	15.2%	22.3	(0.1)	-0.4%
Crime Victim Compensation Program	1.6	2.0	2.1	0.1	5.0%	2.0	0.0	0.0%
Total	\$41.5	\$39.1	\$43.4	\$4.3	11.0%	\$37.5	(\$1.6)	-4.1%
Expenditures By Source								
General Revenue	\$2.4	\$2.4	\$2.3	(\$0.1)	-4.2%	\$2.7	\$0.3	12.5%
Federal Funds	0.6	0.9	1.0	0.1	13.3%	1.0	0.1	11.1%
Restricted Receipts	38.3	35.3	39.6	4.3	12.2%	33.2	(2.1)	-5.9%
Other Funds	0.2	0.5	0.5	-	-	0.6	0.1	20.0%
Grand Total	\$41.5	\$39.1	\$43.4	\$4.3	11.0%	\$37.5	(\$1.6)	-4.1%
Authorized FTE Levels	83.0	84.0	87.0	3.0	3.6%	88.0	4.0	4.8%

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget strengthens and expands the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The replacement of the Retirement System's antiquated Anchor computer system is projected to be complete by the end of June 2016. The project was delayed due to passage of the Pension Settlement Agreement that was incorporated into the FY2016 Budget as Enacted. The vendor for the new system had to reprogram the pension calculation segment of the system to factor in the approved pension changes.

The Budget increases personnel in the Office of the General Treasurer by four positions which includes, 1.0 Principal Projects Manager and a 1.0 Intermediate Accountant positions within the State Retirement System, a 1.0 Director of Debt Management position for the proposed Office of Debt Management, and a 1.0 Director of Member Services position for the CollegeBoundfund Program.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Budget includes 21.2 FTE positions in FY2016 and 22.2 FTE positions in FY2017, reflecting the hiring of a 1.0 Director of Member Services position for the CollegeBoundfund in FY2016 and for a 1.0 Director of Debt Management position for the proposed Office of Debt Management.

General Treasurer	General Revenue
FY2016 Enacted	\$2,193,796
<i>Target and Other Adjustments</i>	
	10,062
Office of Debt Management	303,921
FY2017 Enacted	\$2,507,779

Office of Debt Management**\$303,921**

The Budget includes \$303,921 in general revenue to fund a new Office of Debt Management as part of the Public Finance Management Board within the Office of the General Treasurer. The General Treasurer proposed creating this office to monitor and manage the process that the State, municipal, and quasi-government units use in issuing debt. The Budget funds the new office through a new revenue enhancement authorized in the FY2017 Budget as Enacted (Article 2). The funding increase includes:

Office of Debt Management	Change
Personnel Costs	\$186,374
Contracted Services	45,000
Operating	72,547
Total	\$303,921

The Budget strengthens and expands the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The Budget authorizes new reporting requirement to the Board for State entities, municipalities, authorities, boards, commissions, quasi-public agencies, fire districts, and special districts having the authority to issue debt, and allows the Board to charge a per-diem penalty to any entity failing to file the reports.

The Budget strengthens the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies, by removing "upon request" from RIGL 42-10.1-2(2), thereby requiring the PFMB to provide debt management services to municipalities, authorities, boards, commissions and quasi-public agencies. RIGL 42-10.1-5 authorizes the PFMB to impose a fee for its services upon the lead underwriter or purchaser of any affected debt issue, bond, or note in an amount equal to one-fortieth of one percent (0.004 percent) of the issued principal amount. The amount of service fees collected by the PFMB will increase due to the Board's expanded oversight over State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

Over the past five years, the revenue collected from the fee has ranged between \$203,330 in FY2011 to \$87,647 in FY2015. The Office of the General Treasurer projects fee receipts of \$132,900 for FY2017. Using an eight-year average, the projected average revenue is \$428,771, \$295,871 more than originally projected by Treasury. The additional revenue will allow the Board to fund the proposed Office of Debt Management within the Office of the General Treasurer.

Bond Issuer	Bond Issuance Amount	Refunding Bond Issuance Amount	Taxable Bond Issuance Amount	Article 2 Projected PFMB Fee	Treasury Budget Request	Change
State and Quasi Agencies	\$840,938,284	\$419,233,591	\$162,603,040	\$355,694	\$132,900	\$222,794
Municipalities	233,126,414	47,025,206	12,155,503	73,077	-	73,077
Total				\$428,771	\$132,900	\$295,871

Source: Office of the General Treasurer

In addition, the Budget requires the Board to undertake a debt affordability study no less than every two years, which shall include recommended limits for the debt capacity of the State, municipal, and regional entities having authority to issue revenue or general obligation bonds or notes.

The Budget requires the State, municipalities, authorities, boards, commissions and quasi-public agencies, to provide a report on the final sale of the bonds to the PFMB within 30 days, or 5 days after closing on forms approved by the PFMB. Any entity failing to submit the report shall be subject to a per-diem fine of \$250.

The Budget requires municipalities, quasi-public agencies, fire districts, or other special districts to provide an annual report to the Board within ninety (90) days at the end of each fiscal year, on the amount of outstanding debt incurred by these entities. The Board must provide a report to the Director of the Department of Administration, the Auditor General, and to the leadership of the General Assembly, by September 30 of each year, on debt issues by municipalities, quasi-public agencies, fire districts, or other special districts.

Lastly, the Board shall have the authority to issue non-binding advisory opinions on all matters of debt management practices of State, municipal, and public and quasi-public corporations.

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 Budget includes 47.5 FTE positions in FY2016 and 49.5 FTE positions in FY2017 reflecting the filling of a 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position.

Employees' Retirement System	Other Fund Changes
FY2016 Enacted	\$11,782,495
<i>Target and Other Adjustments</i>	<i>98,918</i>
New Computer System	(1,410,694)
Special Legal Counsel	(800,000)
Contracted Services	105,905
Personnel	65,026
FY2017 Enacted	\$9,841,650

New Computer System (restricted receipts) ***(\$1.4 million)***

The Budget decreases \$1.4 million for information technology consultant services to continue work on replacing the Anchor (HP) computer system with a new system developed by Morneau Shepell, Ltd. The FY2016 Budget as Enacted included \$3.3 million in restricted receipt capital expenditures to replace the 10-year-old state retirement computer system. All costs associated in implementing the new computer system will be drawn from the Retirement Trust Fund.

Anchor system software became outdated and was designed to address only periodic changes to pension law. In addition, the Anchor system lacked modern personal information security safeguards. In June 2013, the State Retirement Board entered into a contract with Morneau Shepell, Ltd. to replace the computer system. Total cost of the upgrade and software maintenance is \$21.4 million. Treasury amortized the payments to 2025.

The replacement consists of three phases: The first phase involving the financial services section was completed in July 2014. Phase 2 involving the payroll system was completed in January 2015. The final phase involving the pension calculation system was scheduled to be complete in December 2015; however, the enactment of the pension settlement agreement in the FY2016 Budget as Enacted required the vendor to build a whole new pension calculation program. The revised completion date is set for the end of March 2016, but during recent testing of the third phase, several errors in the program were

discovered. The projected completion date is now June 2016. Treasury will operate both computer systems redundantly for a while, to insure a smooth transfer and operation of the retirement system data. The redundant operation will require Treasury to expend \$75,000 per month to maintain the older system.

Special Legal Counsel (restricted receipts) ***(\$800,000)***

The Budget includes \$205,000 for special legal counsel expenses in FY2017, a reduction of \$800,000 from the FY2016 Budget as Enacted. The reduction in special legal counsel costs is a result of the pension settlement agreement that was approved by most parties in April 2015 and became law under Article 21 of the FY2016 Budget as Enacted.

Contracted Services (restricted receipts) ***\$105,905***

The Budget includes \$1.3 million in restricted receipt expenditures for various contracted professional services, including actuarial services, auditing services related to municipal payroll or any other audits, legal counsel, stenographic services, grounds maintenance, and security services. This is a \$105,905 increase from the FY2016 Budget as Enacted.

Personnel (restricted receipts) ***\$65,026***

The Budget increases personnel expenses by \$65,026 within the State Retirement System. The increase is attributable to the statewide COLA and medical adjustments.

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Budget includes 11.8 FTE positions in FY2016 and in FY2017.

Unclaimed Property	Other Fund Changes
FY2016 Enacted	\$22,350,267
<i>Target and Other Adjustments</i>	<i>82,575</i>
Revenue Estimating Conference Adjustments	(84,114)
FY2017 Enacted	\$22,348,728

Revenue Estimating Conference Adjustments (restricted receipts) ***(\$84,114)***

Based on Treasury's testimony received during Revenue Estimating Conferences conducted in November 2015 and May 2016, 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 decreases \$800,000, claim payouts increase \$1.1 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 \$384,114, resulting in a net decrease of \$84,114. [$\$1.1 \text{ million} + (\$384,114) + (\$800,000) = \$84,114$].

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 Budget provides 4.5 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

Crime Victims Compensation Program	General Revenue
FY2016 Enacted	\$226,454
<i>Target and Other Adjustments</i>	<i>1,998</i>
FY2017 Enacted	\$228,452

Board of Elections

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Board of Elections	\$4.7	\$1.8	\$1.8	-	-	\$2.0	\$0.2	9.0%
Expenditures By Source								
General Revenue	\$4.7	\$1.8	\$1.8	-	-	\$2.0	\$0.2	9.0%
Authorized FTE Levels	11.0	11.0	11.0	-	-	12.0	1.0	9.1%

\$ 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 FY2016 AND FY2017

The Budget includes \$1.8 million in FY2016, which is \$20,437 less than appropriated in the FY2016 Budget as Enacted. The Budget includes \$85,000 in the revised appropriation for a one-time legal settlement payment involving a former employee of the Board. Personnel costs decrease \$63,816, reflecting \$123,816 in increased turnover savings offset by the addition of \$60,000 for temporary staff for the April 26, 2016, state presidential primary. Operating costs decrease by a net \$34,326, reflecting a \$60,000 reduction in outside rental expenses offset by increased software and equipment maintenance costs.

The Budget includes \$2.0 million for FY2017, which is \$164,402 more than appropriated in the FY2016 Budget as Enacted. The increase is almost entirely due to the hiring of temporary employees (\$243,601) to assist with the 2016 statewide primary and general election. The Budget includes 11.0 FTE positions in FY2016 and 12.0 FTE positions in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$1,818,305
<i>Target and Other Adjustments</i>	<i>(34,218)</i>
General Election Adjustments	415,000
Software Maintenance Agreements	(282,504)
Administrative Assistant Position	66,124
FY2017 Enacted	\$1,982,707

General Election Adjustments **\$415,000**

The Budget increases general revenue expenditures by \$415,000 to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses required in a General Election year. The increase includes \$210,000 for seasonal employees who perform election work. The General Election adjustment also includes increases of \$70,000 to print election and voter registration-related material, and \$135,000 to transport the election equipment to and from polling stations.

Software Maintenance Agreements **(\$282,504)**

The Budget decreases general revenue expenditures by \$282,504 reflecting the transfer of funding for the optical scan voting equipment service and maintenance contract, from the Board of Elections to the Office of the Secretary of State. The Office of the Secretary of State is authorized under P. L. 2015, Chapter 201, to be the lead agency for the procurement of new voting equipment. As such, the Budget centralizes the financing of new voting equipment within the Office of the Secretary of State.

Administrative Assistant Position

\$66,124

The Budget increases general revenue expenditures by \$66,124 to reflect personnel costs for a new 1.0 Administrative Assistant position (grade 323A) in the Campaign Finance Division. The Budget includes the new position to ensure compliance with three new campaign finance laws that were enacted during the 2015 legislative session.

Ethics Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted	FY2017 Enacted	Change from Enacted		
RI Ethics Commission	\$1.6	\$1.6	\$1.6	(0.03)	-2.0%	\$1.7	0.01	0.5%
Expenditures By Source								
General Revenue	\$1.6	\$1.6	\$1.6	(0.03)	-2.0%	\$1.7	0.01	0.5%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$1.6 million for FY2017, which provides a minor increase of \$8,507 (0.5 percent) over the FY2016 Budget as Enacted. This includes a net increase of \$14,647 for personnel costs largely reflecting the retirement rate changes from passage of Article 21 of the FY2016 Budget as Enacted. The Budget also includes an increase of \$2,000 (\$13,000 to \$15,000) for contracted legal services, and a decrease of \$8,140 in all other operating costs.

The Budget includes 12.0 FTE positions in FY2016 and FY2017, 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 \$101,458.

RI Ethics Commission	General Revenue
FY2016 Enacted	\$1,644,876
<i>Target and Other Adjustments</i>	<i>8,507</i>
FY2017 Enacted	\$1,653,383

Office of the Governor

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY 2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Central Management	\$4.4	\$4.9	\$5.0	\$0.1	2.9%	\$5.1	(\$0.1)	-1.9%
Expenditures By Source								
General Revenue	\$4.4	\$4.9	\$5.0	\$1.4	29.5%	\$5.1	\$0.2	3.8%
Authorized FTE Levels	45.0	45.0	45.0	-	0.0%	45.0	-	0.0%

\$ 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 FY2017

In FY2017, the budget for the Office of the Governor is \$5.1 million in general revenue. The majority of this funding (89.5 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$4,903,467
<i>Target and Other Adjustments</i>	<i>(1,783)</i>
Personnel	189,385
Contingency Fund	Informational
FY2017 Enacted	\$5,091,069

Personnel **\$189,385**

The Budget includes \$4.6 million in general revenue for increases to salaries and benefits for 45.0 authorized FTE positions in FY2017, an increase of \$189,385 over the enacted level. In FY2016, the Office averaged 7.0 vacancies for the fiscal year.

Contingency Fund **Informational**

The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2016 enacted budget amount totaled \$250,000; however, the Governor requested a reappropriation of \$160,800 from unspent funds in FY2015. This reappropriation, along with the originally budgeted \$250,000 combine for a total of \$410,800 in contingency funds in the revised FY2016 Budget. The Budget includes \$250,000 in FY2017.

Rhode Island Commission for Human Rights

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Commission for Human Rights	\$1.5	\$1.5	\$1.5	-	-	\$1.6	\$0.1	2.2%
Expenditures By Source								
General Revenue	\$1.2	\$1.2	\$1.2	-	-	\$1.3	\$0.1	0.5%
Federal Funds	0.3	0.3	0.3	-	-	0.3	-	9.3%
Total	\$1.6	\$1.5	\$1.5	-	-	\$1.6	\$0.1	2.2%
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 \$700 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$1,400 and \$3,100 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year. For FY2015, it took the Commission an average of 300 days to process a case to final disposition, 8 days quicker than those processed during FY2014 and 29 days quicker than those processed during FY2013.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes 14.5 FTE positions in FY2016 and in FY2017, consistent with the enacted level. Other than the statewide target adjustments, the Governor recommends no significant changes to the Commission's budget. The 0.5 FTE Senior Compliance Officer position has remained vacant since 2009.

Commission for Human Rights	General Revenue
FY2016 Enacted	\$1,252,174
<i>Target and Other Adjustments</i>	<i>5,954</i>
FY2017 Enacted	\$1,258,128

Public Utilities Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Public Utilities Commission	\$8.4	\$8.7	\$8.7	-	-	\$8.9	\$0.2	2.8%
Expenditures By Source								
Federal Funds	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	16.3%
Restricted Receipts	6.7	8.6	8.6	-	-	8.8	0.2	2.6%
Grand Total	\$6.8	\$8.7	\$8.7	-	-	\$8.9	\$0.2	2.8%
Authorized FTE Levels	50.0	50.0	50.0	-	-	51.0	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 FY2017

The Budget provides a total operating budget of \$8.9 million, including \$8.8 million in restricted receipts and \$104,669 in federal funds. The agency does not receive any general revenue funding. The recommendation represents an increase of \$242,288 (2.8 percent) over the FY2016 Budget as Enacted. The Budget includes \$116,674 in restricted receipts to fund a new 1.0 Senior Legal Counsel FTE position. The Budget provides a staffing level of 50.0 FTE positions in FY2016 and 51.0 FTE positions in FY2017 for the Commission.

Executive Office of Commerce

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Central Management	\$0.2	\$0.9	\$0.7	(\$0.2)	(0.2)	\$1.2	\$0.3	33.3%
Commerce Programs	-	-	-	-	-	5.0	5.0	100.0%
Economic Development Initiatives Fund	-	43.5	43.0	(0.5)	(0.0)	36.9	(6.6)	-15.2%
Housing and Community Development	-	14.4	18.3	3.9	27.1%	23.2	8.8	61.1%
Quasi-Public Appropriations	-	16.1	16.5	0.4	0.0	13.2	(2.9)	-18.0%
Total	\$0.2	\$74.9	\$78.5	\$3.6	4.8%	\$79.5	\$4.6	6.1%

Expenditures By Source	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
General Revenue	\$0.2	\$60.8	\$60.5	(\$0.3)	-0.5%	\$55.6	(\$5.2)	-8.6%
Federal Funds	-	11.0	13.7	2.7	24.5%	17.8	6.8	61.8%
Restricted Receipts	-	2.8	4.0	1.2	42.9%	4.8	2.0	71.4%
Operating Transfers from Other Funds	-	0.3	0.3	-	-	1.3	1.0	3.3
Total	\$0.2	\$74.9	\$78.5	\$3.6	4.8%	\$79.5	\$4.6	6.1%

Authorized FTE Levels 5.0 16.0 16.0 - - 16.0 - -
 \$ in millions. Totals may vary due to rounding.

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

The Housing and Community Development program was transferred to the Executive Office of Commerce in accordance to provisions set under RIGL 42-64.19-7(h) and enacted by the General Assembly in 2013. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-95 Redevelopment Commission that were previously funded in the Department of Administration were transferred to the Executive Office of Commerce.

Analyst's Note: The enabling statute requires the Executive Office of Commerce to assume, on or about February 1, 2015, the operating functions of the Department of Business Regulation. However, the Governor has interpreted this to only mean that the Director of the Department of Business Regulation reports to the Secretary of Commerce, and not mean that the Executive Office of Commerce is to administer the budget and operations of the Department.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$79.5 million, of which \$55.6 million is general revenue, to fund the operations and economic initiatives of the Executive Office of Commerce, including the State appropriation for the Rhode Island Commerce Corporation. This reflects an increase of \$4.6 million, but a decrease of \$5.2 million in general revenues. The Budget includes 16.0 FTE positions in FY2016 and in FY2017, consistent with the enacted level.

The Budget includes new economic initiatives within the Commerce Corporation designed to spur tourism and economic development. Several of the economic programs were previously listed under the Quasi-Public Appropriations program as part of the FY2016 Budget as Enacted. The cost of the new programs is \$5.0 million in general revenue.

In addition, the Budget includes \$36.9 million in general revenue in FY2017 for a second year of funding economic development initiatives for various incentives, business assistance, and development programs to create and expand businesses. The Budget provides \$7.0 million, reflecting a \$2.0 million increase for the First Wave Closing Fund and level funds the Main Street RI Streetscape Program at \$1.0 million.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, and strategic planning activities. The Budget includes 5.0 FTE positions in FY2016 and in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$956,254
<i>Target and Other Adjustments</i>	
Personnel	(598)
FY2017 Enacted	\$1,200,198

Personnel **\$244,542**

The Budget adds \$244,542 in general revenue to support the salary and benefit costs for 5.0 FTE positions for the executive agency. The recommendation increases salaries by \$160,148 and benefits by \$84,394, reflecting the upcoming employment of a Deputy Secretary of Commerce. The Deputy Secretary position will account for the majority of the increase, as the position was not budgeted in FY2016. The other part of the increase is to fund 1.0 Executive Assistant at \$71,507 in salary for FY2017.

COMMERCE PROGRAMS

The Budget includes funds to continue an existing initiative as well as funds for a new economic initiative within the Commerce Corporation designed to spur tourism and economic development. The Wavemaker was previously listed under the Quasi-Public Appropriations program as part of the FY2016 Budget as Enacted. The cost of the new programs is \$5.0 million in general revenue, an increase of \$3.2 million from the amount appropriated in the FY2016 Budget as Enacted.

Commerce Programs	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	
Wavemaker Fellowship	-
Air Service Development	3,500,000
FY2017 Enacted	\$5,000,000

Wavemaker Fellowship **\$3.5 million**

The Budget includes \$3.5 million in general revenue in FY2017 to fund a second year of the Wavemaker Fellowship. This reflects an increase of \$1.7 million from the appropriation made under the Quasi-Public Appropriation program (Commerce Programs) in the FY2016 Budget as Enacted. The Fellowship is a competitive student loan reimbursement for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The goal of the program is to award approximately 250 Fellows refundable personal income tax credits to offset annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree.

Air Service Development **\$1.5 million**

The Budget includes \$1.5 million in general revenue for a new initiative to support the creation of additional direct airline routes to major metropolitan areas. According to the Executive Office of Commerce, it has become common practice in the industry to provide a revenue backstop to an airline that is implementing a new route, in essence, providing a limited, capped amount of money to compensate the airline for losses incurred if the new route isn't profitable. The Executive Office of Commerce believes T.F. Green Airport is well-positioned to capitalize on the airline industry trend to add new air routes.

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

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

ECONOMIC DEVELOPMENT INITIATIVES

The Budget includes \$36.9 million in general revenue in FY2017, a decrease of \$6.6 million from the FY2016 Budget as Enacted. The Budget includes numerous economic development initiatives to fund various incentives, business assistance, and development programs to create and expand businesses.

Economic Development Initiatives Fund	General Revenue
FY2016 Enacted	\$43,458,000
<i>Target and Other Adjustments</i>	
I-195 Redevelopment Fund	(25,000,000)
Rebuild RI	24,000,000
Small Business Assistance	(5,458,000)
Affordable Housing Fund	(3,000,000)
First Wave Closing Fund	2,000,000
Innovation Vouchers	1,500,000
P-TECH	1,200,000
Anchor Institution Tax Credit	(1,050,000)
Innovation Network Grants	(500,000)
Competitive Cluster Grants	(250,000)
Main Street RI Streetscape	Informational
FY2017 Enacted	\$36,900,000

I-195 Development Fund ***(\$25.0 million)***

The Budget does not include general revenue funding for the I-195 Redevelopment Fund as part of the FY2017 Budget, resulting in a \$25.0 million general revenue reduction compared to the FY2016 Budget as Enacted. The appropriation in FY2016 was intended to be a one-time capitalization of a fund to serve as a catalyst for real estate development on the former highway land to be used to:

- Provide gap financing on real estate projects within the district
- Acquire adjacent (abutting parcels) or proximate land (land in the area of the I-195 District owned land but not an abutting parcel, including areas around the Garrahy Courthouse Garage and the South Street Landing project, or further away from the District)
- Finance public infrastructure and facilities that will enhance the District

Rebuild Rhode Island Tax Credit ***\$24.0 million***

The Budget includes \$25.0 million in general revenue for the Rebuild Rhode Island Tax Credit (Rebuild RI) program, an increase of \$24.0 million from the FY2016 Budget as Enacted. The Rebuild Rhode

Island Tax Credit is a tax credit administered by the Commerce Corporation, intended to promote investment in real estate development for commercial and/or residential use.

The Rebuild RI program allows the Secretary of Commerce to issue a tax credit up to \$15.0 million based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gap. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers' liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

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

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

- Establishing a cap not to exceed \$150.0 million as the aggregate sum for the Rebuild RI tax credits to provide stability in planning future State Budgets for the redeemed tax credits. The sunset provision is maintained for December 31, 2018. No credits will be authorized after this date.
- Allowing the use of the Rebuild RI tax credits no more than once per year for a development project undertaken by a tenant or commercial condominium owner for the development of land and building within I-195 Redevelopment District. In addition, a qualified development project by a tenant or commercial condominium owner on I-195 Redevelopment District land may be exempt from the provision that the maximum Rebuild RI credit be the lesser of 30.0 percent of the total project cost or the amount needed to close a project gap financing.
- Requiring the Director of the Office of Management and Budget to provide written confirmation in notifying the Rhode Island Commerce Corporation Board on the impact that each proposed project will have on the aggregated authorized program tax credit limit.
- Allowing the Commerce Corporation to use the Rebuild RI funds to make loans or equity investments as an alternative incentive in lieu of the tax credits, as long as the applicant otherwise qualifies for the Rebuild RI tax credits.

CommerceRI indicates that the corporation has received an overwhelming response in the first round of Rebuild RI applications, including 30 proposals for over \$100 million in credits. These proposals spanned commercial, mixed, and residential uses and included projects of high priority to the State's economy. An annual allocation of \$30.0 million for 5 years, as contemplated, would provide \$150.0 million in State capital to match approximately \$600.0 million in private capital and spur approximately \$750.0 million in construction activity. As of July 11, 2016, the Commerce Corporation approved eleven projects for \$33.1 million in maximum Rebuild RI tax credits. The developers, credit amounts, and total project costs are illustrated in the following table:

Recipient	Maximum Credit	Total Project Cost	Date Approved
93 Cranston, LLC	\$2.7	\$10.0	1/25/2016
John M. Corcoran & Co., Inc.	5.6	54.0	1/25/2016
Waldorf Capital Management	1.3	17.1	2/22/2016
Case Mead Association	2.2	7.4	2/22/2016
WinnDevelopment & Omni Development	3.7	12.2	3/28/2016
Providence Capital III, LLC	3.0	15.2	3/28/2016
78 Fountain JV Owner, LLC Nordblom Development & Cornish Associates	6.1	48.4	3/28/2016
AT Cross Company	0.4	2.1	5/9/2016
Union Mills, LLC	3.6	34.6	5/23/2016
D'Ambra Warwick Hotel, LLC	1.4	23.8	6/27/2016
Ocrean State Jobbers, Inc.	3.1	49.1	6/27/2016
Total	\$33.1	\$273.9	

\$ in millions

Small Business Assistance

(\$5.5 million)

The Budget does not include funding for the Small Business Assistance program as part of the FY2017 Budget, resulting in a \$5.5 million general revenue reduction as compared to the FY2016 Budget as Enacted. The appropriation in FY2016 was intended to be one-time funding to establish this program. The Small Business Assistance program was created to help small businesses (under 200 employees) gain access to capital. This program offered more operating flexibility than the current Small Business Loan Fund, which is subject to federal regulations from the U. S. Economic Development Administration. Approximately 10.0 percent of the funds will be allocated for “micro loans” of \$2,000 to \$25,000. The maximum award that an applicant can receive is \$750,000.

The Commerce Corporation was authorized to partner with a private lending institution to administer the applications and program, and issued requests for proposals for program providers in October 2015. The Corporation Board approved the following list of recommended authorized providers:

Small Business Lending Program	Award Amount
South Eastern Economic Development Corporation	\$1,000,000
Business Development Corporation of Rhode Island	1,000,000
Community Investment Corporation	1,000,000
CDC of New England	1,900,000
Total	\$4,900,000

Micro Lending Program	Award Amount
Center for Women and Enterprise	\$250,000
Social Enterprise Greenhouse	125,000
Community Investment Corporation	170,000
Total	\$545,000

Total All Programs **\$5,445,000**

Affordable Housing

(\$3.0 million)

The Budget eliminates funding to finance the development of affordable housing, a reduction of \$3.0 million in general revenue from the FY2016 Budget as Enacted. The funds are administered by the Rhode Island Housing and Mortgage Finance Corporation to leverage additional federal and private equity. Previously, funding for affordable housing was obtained through voter approved bond issuances. The Budget does not include funding for Affordable Housing as an Economic Initiative item, but instead relies

upon passage of a bond referendum to provide \$40.0 million in bond proceeds to promote affordable housing programs.

First Wave Closing Fund

\$2.0 million

The Budget includes \$7.0 million for the First Wave Closing Fund, reflecting an increase of \$2.0 million in general revenue from the previous fiscal year. This Fund is intended to attract, expand, or retain businesses, and create jobs in the state, by providing “gap financing” mechanism to fund the portion of the project cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state.

Innovation Vouchers

\$1.5 million

The Budget includes \$1.5 million in general revenue for the Innovative Voucher program in FY2017. This initiative was originally funded as a \$500,000 Commerce Economic Program in the FY2016 Budget as Enacted. The Innovation Voucher Program provides financial assistance to small businesses (under 500 employees) to purchase research and development technical assistance from state or regional higher education institutions, or other providers. Awards will range from \$5,000 to \$50,000. The Vouchers can be used as:

- Support for the commercialization of a new product, process, or service
- Access to scientific, engineering, and design expertise
- Technological development and exploration
- Scale-to-market development of innovative ideas

Analyst’s Note: According to the Commerce Corporation, there is an “overwhelming” interest in the program following its launch last month and the Commerce Corporation expects to exhaust the available \$500,000 in the first round of grant-making. The Commerce Corporation has roughly 35 companies in the pipeline for this program already. The additional funding will allow the Commerce Corporation to engage in subsequent rounds of grant-making and meet the great demand present in the market for collaboration among Rhode Island companies and research institutions.

A total of 11 companies have received approval from the Commerce Corporation for Innovation Vouchers totaling \$451,897. The approved companies and voucher amounts include the following:

<u>Recipient</u>	<u>Approved Amount</u>	<u>Date Approved</u>
Agcore Technologies, LLC	\$50,000	1/25/2016
Applied Radar, Inc.	10,000	1/25/2016
CBC, LLC	50,000	1/25/2016
EpiVax, Inc.	50,000	1/25/2016
Full Measure, LLC	48,814	1/25/2016
HMSolution, Inc.	20,000	1/25/2016
Materials Science Associates, LLC	50,000	1/25/2016
Pilgrim Screw Corporation	49,921	1/25/2016
S2S Surgical, LLC	37,613	1/25/2016
Vitae Industries, Inc.	40,000	1/25/2016
Yushin America, Inc.	45,549	1/25/2016
Total	\$451,897	

P-TECH

\$1.2 million

The Budget includes \$1.2 million in general revenue to continue the P-TECH program in FY2017. The P-TECH program is modeled after similar programs in Connecticut and New York. The program enlists a major employer to work with a local high school and community college to create a pipeline of talent. The employer helps craft a curriculum that gives students internships and, at the end of five or six years, a

high school diploma, associate's degree, and potentially a job. The funding will be used to hire staff and to set up the program at three high schools in state.

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

The additional funding will maintain the initial three high school P-TECH partnerships and will also fund the creation of the partnerships in three additional high schools to be determined during calendar year 2016. Several high schools expressed interest in participating in this year's cohort of P-TECH schools but were not able to meet the requirements in time.

The first 3 partnerships, which launched in the fall of 2015 with awards of \$200,000 each, were made to the following schools:

Recipient	Approval Amount	Date Approved
Newport Public Schools	\$200,000	1/25/2016
Providence Public Schools	200,000	1/25/2016
Westerly Public Schools	200,000	1/25/2016
Total	\$600,000	

As part of the P-TECH program, the Commerce Corporation intends to hire at least 1.0 FTE position, at the vice principal level in each high school and have that employee work in the participating high school. To date, the three school districts have not hired these positions.

On March 29, 2016, the Board of the Rhode Island Commerce Corporation approved an additional expenditure of \$100,000 to pay for a P-Tech liaison and any associated administrative costs with the Community College of Rhode Island. It was noted by the Corporation staff that the \$100,000 will be deducted from the FY2016 Revised Budget appropriation.

Analyst's Note: This initiative was originally funded as a \$600,000 Commerce Economic Program as part of the FY2016 Budget as Enacted. The actual increase in year-to-year funding is \$600,000 in general revenue; however, because the initiative is listed under a different program in the Budget, the appropriation appears as a \$1.2 million increase.

Anchor Institution Tax Credit

(\$1.1 million)

The Budget includes \$700,000 in general revenue for the Anchor Institution Tax Credit as part of the FY2017 Budget, resulting in a \$1.1 million general revenue reduction as compared to the FY2016 Budget as Enacted. The Anchor Institution Tax Credit program was designed to entice businesses that supply component goods or services to Rhode Island companies to relocate to the State. The amount of the credit shall be based on criteria created by the Commerce Corporation, and include factors such as:

- The number, types, and compensation of jobs created
- The industry sector of the business
- Whether the relocation benefits an area designated as a "Hope Community", which under the legislation would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket

Innovation Network Grants**(\$500,000)**

The Budget does not include funding for the Innovation Network Grants program as part of the FY2017 Budget, resulting in a \$500,000 general revenue reduction as compared to the FY2016 Budget as Enacted. The Innovation Network Program was intended to provide matching fund grants to small businesses in industry sectors. It was anticipated that small business would use these funds to access technical assistance, obtain business operating space, and to access capital from private and non-profit organizations. The following applicants will be voted upon by the Commerce Corporation Board in April 2016:

Recipients	Award
Social Enterprise Greenhouse	\$115,000
Hope & Main	107,998
MassChallenge, Inc.	100,000
Practico Innovation	50,000
Total	\$372,998

Competitive Cluster Grants**(\$250,000)**

The Budget includes \$500,000 in general revenue in FY2017 to support the Competitive Cluster Grant program. This is \$250,000 less than the \$750,000 included in the FY2016 Budget as Enacted. The program provides matching grants to start or improve industry sector partnerships or “clusters” to exchange technology and share personnel resources. Industry clusters are created by pooling labor forces, for collaborative problem solving, and sharing technology. The Commerce Corporation approved the following awards using the appropriation included in the FY2016 Budget as Enacted:

Recipients	Award
Highlander Institute	\$149,750
Partnership for a Greater Future Providence	115,000
SENEDIA	109,000
DesignxRI	100,000
RI Manufacturers Association	100,000
PolarisMEP/RI Composite Alliance	99,600
International Yacht Restoration School, Inc.	75,290
Total	\$748,640

Main Street RI Streetscape Program**Informational**

The Budget level funds the Main Street RI Streetscape Program, including \$1.0 million in FY2017. This Program provides loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts. Each of the following awards require the recipient to provide a 30.0 percent match. The Commerce Corporation Board approved the following awards using the appropriation included in the FY2016 Budget as Enacted:

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

HOUSING AND COMMUNITY DEVELOPMENT

The Housing and Community Development program provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and implementation of the State's plan to end homelessness. The Community Development Block Grant program provides funding to 33 municipalities to address housing and community development needs. Previously, the program was administered by the Division of Planning under the Department of Administration. The Budget includes 11.0 FTE positions in FY2016 and in FY2017, consistent with the enacted level.

Housing and Community Development	General Revenue
FY2016 Enacted	\$593,082
<i>Target and Other Adjustments</i>	<i>24,123</i>
FY2017 Enacted	\$617,205

Housing and Community Development	Other Fund Changes
Community Development Block Grant and Housing Grants	\$6,807,124
Housing Resources Commission	1,950,000

Community Development Block Grant (federal funds) \$6.8 million

The Budget includes a total net adjustment of \$6.8 million in federal funds receipts involving numerous federal awards. The funds reflect a net increase of \$6.3 million in federal Community Development Block Grant (CDBG) funds, including an increase of \$4.2 million for Disaster Recovery Grants related to Hurricane Sandy to support local (municipal) disaster recovery activities. While there were a number of projects jointly funded with both CDBG–Disaster Recovery funds and funds provided through RIEMA; the funds provided through RIEMA tend to fund more immediate-response activities for the State, while the CDBG funds generally support municipalities in the long-term recovery from disasters.

The Budget includes an increase of \$2.5 million in federal funds, reflecting funding for the recently awarded 2015 Community Development Block Grant (CDBG) received by the State. Under federal guidelines, the State manages the program for 33 Rhode Island municipalities which do not receive an allocation directly from the United States Housing and Urban Development. The State distributes funds to units of general local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facilities/improvements, social services and planning (land use). CDBG funds are targeted to areas that are distressed and are predominately low- and moderate- income neighborhoods.

Lastly, the Budget includes \$2.2 million in federal funds, reflecting an increase of \$472,828 in federal funds for Emergency Shelter Grants.

Housing Resources Commission (restricted receipts) \$2.0 million

The Budget includes \$4.8 million in restricted receipts for the Housing Resources Commission (HRC). This reflects an increase of \$2.0 million from the FY2016 Budget as Enacted. Funding is used to provide grants to other entities (primarily non-profits) to support homeless shelter operating and service costs, and to operate the State Rental Subsidy Initiative. The HRC has also supported Healthy Housing and Lead Abatement and Homeownership activities.

Analyst's Note: The FY2015 Budget as Enacted increased the Real Estate Conveyance Tax authorized under RIGL 44-25 from a rate of \$2.00 for each \$500, or fractional part of the purchase price, to \$2.30 for each \$500, and dedicated the additional revenue raised by the tax to fund the Housing Resources Commission and the Housing Rental Subsidy.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$11.9 million in general revenues to support the Rhode Island Commerce Corporation, several pass-through appropriations to fund specific economic programs, and for the I-195 Redevelopment Commission. There are no FTE positions allocated to this program.

Quasi-Public Appropriations	General Revenue
FY2016 Enacted	\$15,833,206
<i>Target and Other Adjustments</i>	
Rhode Island Commerce Corporation Programs	(3,100,000)
Pass-Through Appropriations	(1,026,492)
Rhode Island College and University Research Collaborative	150,000
Rhode Island Commerce Corporation Budget	Informational
FY2017 Enacted	\$11,856,714
Quonset Development Corporation	\$1,000,000

RI Commerce Corporation Programs **(\$3.1 million)**

The Budget shifts funding for these new economic initiatives within the Rhode Island Commerce Corporation from the Quasi-Public Appropriations program to the new Commerce Programs resulted in the decrease of \$3.1 million in general between FY2017 and FY2016 Budget as Enacted.

Pass-Through Appropriations **(\$1.0 million)**

The Budget includes \$3.6 million in “pass-through” general revenue appropriations in the Executive Office of Commerce, reflecting a decrease of \$1.0 million for the Community Service Objectives relative to the FY2016 Budget as Enacted.

- **(\$1.0 million)** in general revenue. The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists of two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

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

- **\$1.2 million** for the State’s match to the National Science Foundation’s Experimental Program to Stimulate Competitive Research (EPSCoR).
- **\$1.0 million** to fund the Airport Impact Aid payments to municipalities that have airports. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport’s share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000. The following table illustrates the distribution of the Airport Impact Aid.

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

- **\$1.0 million** in general revenue to support the innovative technology and bioscience and engineering internship program, administered by the Rhode Island Science and Technology Advisory Council. The funds are used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses in applying for federal research funds.
- **\$376,200** to support the Chafee Center at Bryant University/RI Export Assistance Center.

Rhode Island College and University Research Collaborative

\$150,000

The Budget includes \$150,000 for the Rhode Island College and University Collaborative. This initiative was originally funded as a \$100,000 program as part of the Commerce Corporation's budget in the FY2016 Budget as Enacted.

The University Research Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways, such as:

- Increase the use of non-partisan academic research in policymaking
- Provide an evidence-based foundation for government decision making in RI

The Collaborative has developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.

Rhode Island Commerce Corporation Budget

Informational

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

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

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

The following table compares the various funding sources and program assignments that compose the annual Commerce RI budget with facts available as of July 1, 2016. This includes appropriation and statutory changes in the FY2017 Budget as Enacted. The table uses the Governor's FY2016 recommended budget because the Commerce Corporation board is not expected to approve a final budget for the Corporation, including FY2016, until August 2016.

Expenditures	FY2015 Actual	FY2016 Governor	FY2017 Enacted	Change from Governor FY2016
Personnel and Operating	\$5,671,990	\$7,497,427	\$8,462,571	\$965,144
EOC Commerce Programs	-	3,100,000	5,000,000	1,900,000
Tourism and Business Marketing Campaigns	-	4,983,438	5,000,000	16,562
Grants or Partnerships	275,874	876,258	876,258	-
Community Service Objectives	597,350	1,026,492	-	(1,026,492)
Chafee Center at Bryant	376,200	376,200	376,200	-
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	-
RI College and University Collaborative	-	-	150,000	150,000
Innovative Matching Grants	500,000	1,000,000	1,000,000	-
I-195 Redevelopment District Commission	746,596	931,305	761,000	(170,305)
Federal Pass-thru Grants	6,205,342	6,959,458	4,877,240	(2,082,218)
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Volvo Ocean Race	775,000	-	-	-
Total	\$19,723,352	\$31,325,578	\$31,078,269	(\$247,309)
Revenue				
Opening Balance Revenues	\$1,459,964	\$1,574,863	\$1,830,845	\$255,982
RI Commerce Corporation Base Appropriation	4,044,514	7,394,514	7,394,514	-
EOC Commerce Programs	-	3,100,000	5,000,000	1,900,000
I-195 Redevelopment District Commission	746,596	931,305	761,000	(170,305)
Community Service Objectives	597,350	1,026,492	-	(1,026,492)
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	-
RI College and University Collaborative	-	-	150,000	150,000
Chafee Center at Bryant	376,200	376,200	376,200	-
Innovative Matching Grants	500,000	1,000,000	1,000,000	-
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Volvo Ocean Race	775,000	-	-	-
Federal Grants	6,205,342	6,959,458	4,877,240	(2,082,218)
Hotel Tax Revenue	-	4,983,438	3,944,793	(1,038,645)
Finance Program Allocation ¹	741,609	342,228	342,228	-
Grant Reimbursements	808,411	843,000	843,000	-
Other	545,225	70,191	77,529	7,338
Total	\$21,375,211	\$33,176,689	\$31,172,349	(\$2,004,340)
Net Gain/(Loss)	\$1,651,859	\$1,851,111	\$94,080	(\$1,757,031)
FTE Levels	45.5	53.0	50.0	(3.0)

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

Source: Rhode Island Commerce Corporation and Budget Office

Quonset Piers (other funds)

\$1.0 million

The Budget adds \$1.0 million in Rhode Island Capital Plan (RICAP) funds for architectural and engineering work for the proposed pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. The Budget will include a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port (a decrease of \$20.0 million from what was proposed by the Governor), a revenue bond authorization that allows the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$25.0 million (an increase of \$5.0 million from what was proposed by the Governor), and a total commitment of \$15.0 million from the RICAP fund.

Office of Health and Human Services

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$127.9	\$124.2	\$270.4	\$85.0	68.4%	\$146.4	\$22.2	15.2%
Medical Assistance (Including Medicaid)	2,206.8	2,263.7	2,228.4	(9.3)	-0.4%	2,251.8	(11.9)	-0.5%
Total	\$2,334.7	\$2,387.9	\$2,498.7	\$75.7	3.2%	\$2,398.2	\$10.3	0.4%
Expenditures By Source								
General Revenue	\$915.7	\$909.9	\$929.1	\$19.2	2.1%	\$937.0	\$27.1	2.9%
Federal Funds	1,402.8	1,462.2	1,491.4	\$29.2	2.0%	1,447.6	(14.6)	-1.0%
Restricted Receipts	16.2	15.7	15.2	(\$0.5)	-3.2%	13.5	(2.2)	-16.3%
Total	\$2,334.7	\$2,387.9	\$2,435.7	\$47.8	2.0%	\$2,398.2	\$10.3	0.4%
Authorized FTE Levels	184.0	187.0	187.0	-	0.0%	179.0	(8.0)	-4.3%

\$ 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 FY2016

The State's Medicaid expenditures remain largely unchanged, with a minor growth of 0.4 percent, as compared to the FY2016 Enacted Budget. The FY2017 Budget includes \$2.4 billion, including \$936.9 million in general revenues representing nearly 40.0 percent of the state's budget, to fund the Medicaid program. Expenditures include the administrative costs within the Department associated with overseeing the State's Demonstration 1115 Waiver, which governs the State's Medicaid program. The Medicaid program provides services to Rhode Islanders through the RItE Care/RItE Share program and long-term care for the disabled and elderly.

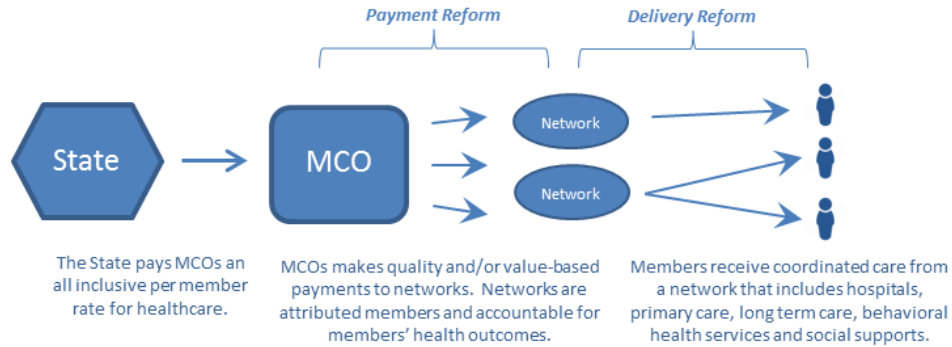
The Executive Office of Health and Human Services aims to contain costs within the Medicaid program, while continuing to advance the philosophy of improving quality of care to achieve better outcomes and increase community based programming for the elderly and disabled. This effort is recognized in the FY2017 Budget which includes \$2.1 million in general revenues (\$4.1 million all funds) for direct worker wage increases providing care within the community. While the system continues to move away from acute, institutional care, such as nursing homes, the Budget includes \$3.9 million in general revenue (\$7.9 million all funds) to support the increasing costs of nursing homes in FY2017.

EOHHS has taken a direct role in coordinating and overseeing health reform initiatives that are aimed to change how healthcare is paid for. The State continues to move the system from a fragmented, siloed system of care, to a coordinated system that is incentivized by improving health outcomes. Many of initiatives within the Enacted FY2017 Budget are focused on objectives outlined in the recommendations provided by the Reinventing Medicaid Workgroup and the Working Group on Healthcare Innovation

OHHS' strategy is to transition away from its current system of payment and service delivery in which the State pays managed care organizations (MCOs) a capitated per-member-per-month amount for most of members' care. The MCO's, in turn, predominantly pay a negotiated rate or fee to providers for each service they provide. This payment system incentivizes providers to deliver more services because payment is dependent upon the quantity of services they deliver. The current delivery system supplies a wide range of uncoordinated services from multiple providers in siloed health, behavioral health and long-term care delivery systems. One of the initiatives within the Budget to achieve this goal is recognized with a \$4.0

million in general revenue (\$10.9 million all funds) savings within Managed Care Organizations (MCOs) associated with the development of Accountable Care Organizations (ACOs) and Pharmacy Management.

In place of the current payment system, the Office is reforming its program to one where MCOs pay provider networks, ACOs, based upon the health *outcomes* of members rather than upon the *quantity* of services provided and where value rather than volume is incentivized. Under a reformed delivery system, payments are made to networks of providers rather than individual providers so that care is coordinated among delivery systems and unnecessary and ineffective services are avoided, as shown below.



The largest scale IT project the State has undertaken nears completion as the second Phase of the Unified Health Infrastructure Project (UHIP) is expected to launch in September, 2016. The project continues to escalate in costs, increasing general revenues by \$6.8 million in FY2017. Efficiencies in the state of the art system.

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 Budget includes 179.0 FTE positions in FY2017, a decrease of 8.0 FTE position over FY2016 Budget as Enacted. This reduction is associated with long-term vacancies within the agency.

Central Management	General Revenue
FY2016 Enacted	\$25,831,585
Target and Other Adjustments	(188,038)
Unified Health Infrastructure Project (UHIP)	6,824,382
Turnover Savings	(1,246,900)
Personnel	1,031,292
Contracted Services	292,066
FY2017 Enacted	\$32,544,387

Unified Health Infrastructure Project (UHIP) \$6.8 million

The Governor’s budget increases OHHS funding for the Unified Health Infrastructure Project (UHIP) by \$6.7 million compared to the FY2016 Budget as Enacted. UHIP cost overruns are attributed to required federal system enhancements, miscellaneous design, development and implementation (DD&I) costs, and the Healthsource RI contact center.

The UHIP project began in 2013 when the State undertook the establishment of the Rhode Island’s Health Benefit Exchange. The State also opted to integrate our health insurance eligibility system with the human services program eligibility system, food assistance (SNAP) and cash assistance (TANF). The project is being developed in two phases. Phase I includes the development of the commercial health insurance

eligibility system and simple Medicaid eligibility. This portion of development is complete however, refinement and improvements to the system continue. Phase II includes eligibility for complex/long-term Medicaid eligibility and inclusion of SNAP and TANF programming. This phase is currently in development and expected to be complete in September, 2016.

Since the inception of the UHIP, the costs associated with the development of this system have continually escalated year over year. The original projected costs were expected to be approximately \$150.0 million to complete Phase I and Phase II. In FY2016 the projected costs were \$230.0 million, and the most recent projections from the Department for overall costs through calendar year 2020 are approximately \$363.7 million.

The UHIP project has been largely funded through federal contributions. Over the life of the project, federal funds will contribute approximately \$285.0 million (78 percent) and the State will contribute \$79.0 million (22 percent) in general revenues to the project by calendar year 2020.

The most notable increases are in the Optum Call Center and Deloitte, the primary developer of the UHIP system. The HSRI call center was almost entirely funded through the ACA state based exchange federal funding. The total cost of the call center contract is \$9.9 million, of which \$2.4 million are general revenue contributions in FY2017.

Deloitte has been the largest UHIP contractor responsible for the development of the intellectual technology supporting the UHIP system. The current contracted services for FY2017 are intended to enhance the UHIP Citizen Portal, required by the federal government, and expand the RI Bridges worker portal, (case management system) to improve usability for case managers. Additional costs are associated with the remaining contractors for DD&I and Maintenance and Operating costs.

Unified Health Infrastructure Project (UHIP)	
Vendor	FY2017 General Revenue
Deloitte	\$4,149,340
Optum Call Center	2,433,988
Miscellaneous M&O	415,592
HP Enterprises	(347,986)
Miscellaneous DD&I	109,507
Northrop Grumman Information Technology	71,233
Technical Assistance/Project Management	(28,729)
Hardware for DD&I and Testing	21,437
Total	\$6,824,382

Turnover Savings

(\$1.2 million)

General revenues are reduced by \$1.2 million (\$2.2 million all funds) for associated turnover savings within the Department. The Department projected 173.0 filled FTE positions, assuming a 4.0 percent turnover rate resulting in \$884,523 in general revenue savings within the Governor's FY2017 Budget. The Budget further increases turnover savings assuming an additional 17.0 FTE position reduction. Within this turnover savings are the 3.0 FTE positions, which were included in the Governor's budget request for unclassified positions: Medicaid Program Director, Communication Director and Legislative/Policy Director.

Personnel

\$1.0 million

The Budget includes an increase of \$1.0 million in general revenue for personnel in FY2017. The increased costs are associated with EOHHS health innovation efforts and supports increases in wages and benefits. Approximately \$400,000 is attributed to increases in planning values for benefit costs and \$400,000 is associated with classification shifts to higher pay grades. Additionally, EOHHS shifts costs previously budgeted to restricted receipts to general revenues and includes an increase of \$87,605 to support interns and seasonal staff.

This is the first fiscal year of EOHHS operating under its own cost allocation plan as the Single State Medicaid agency. This is to ensure administrative costs are maximizing federal reimbursement. EOHHS is in the process of determining what the approximate cost allocations will be for FY2016 which will be used in future forecasting.

Contracted Services**\$292,066**

The Budget includes an increases general revenues by \$292,066 (\$276,061 all funds) for contracted and purchased services. The increase is associated with the following existing contracts and services being provided to the Department.

- Additional funding to Xerox for the contract which supports the Integrated Care Initiative (ICI), Financial Alignment Demonstration call center, and Reinventing Medicaid initiatives. Total financing for the Xerox contract in FY2017 is \$3.2 million, an increase of \$512,770 from FY2016 Budget as Enacted.
- Reduces general revenue expenditures by \$400,000 general revenue (\$800,000 all funds) for the hospital utilization review contract.
- Increase in the HP Enterprise contract of \$85,512 for modifications to support major initiatives associated with the Medicaid Management Information System (MMIS).
- Increased funding for the contract with Public Consulting Group, Inc. (PCG) to develop a Cost Allocation Plan (CAP) specific to EOHHS as a single-state Medicaid agency. The budget includes an increase of \$83,000 in general revenue funds (federally matchable) to amend the existing contract.
- Increased funding for the continuation of predictive modeling and analytics system, involving the use of technology to identify patterns of fraudulent claiming and reimbursement. Contracts for this initiative is \$260,182 (\$2.1 million all funds) an increase of \$43,706 in general revenue from FY2016 Budget as Enacted.
- Shifting Early Intervention (EI) contract expenses from general revenue to federal funds. This adjustment will result in a \$57,775 reduction in general revenues in FY2017.

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) are paid a fixed monthly fee, or capitation rate, for each enrolled beneficiary. A smaller portion of Medicaid services continue to be paid for through *fee-for-service* programs, whereby providers bill the State Medicaid program directly based on the particular services provided.

Medical Assistance	General Revenue
FY2016 Enacted	\$884,102,480
<i>Target and Other Adjustments</i>	<i>(3,164,914)</i>
Caseload Estimating Conference	26,100,000
Managed Care Related Initiatives	(4,000,000)
Nursing Facility Rate Freeze	3,899,008
Direct Care Wage Increase	2,006,051
Beneficiary Cost Share	(1,500,000)
Administrative Improvements and Pharmacy Rebates	(1,300,000)
NICU Bundle Rate	(1,000,000)
Early Intervention	(500,000)
Rlte Share Improvements	(200,000)
Granduate Medical Program	Informational
Transportation Contract Savings	Informational
Repurposing Savings toward Alternative Care Models- Disproportionate Share Payments (DSH)	Informational
Repurposing Savings toward Alternative Care Models- Upper Payment Limits (UPL)	Informational
FY2017 Enacted	\$904,442,625

Caseload Estimating Conference**\$26.1 million**

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

May 2016	FY2016	FY2017	Change	
Caseload Estimating Conference	Enacted	Adopted	From Enacted	
General Revenue	\$884.1	\$910.2	\$26.1	2.9%
Federal Funds	1,349.9	1309.7	(40.2)	-3.1%
Restricted Receipts	10.6	9.6	(1.0)	-10.6%
Total	\$2,244.6	\$2,229.5	(\$15.1)	-0.7%

\$ in millions

FY2017 projected medical assistance general revenue expenditures are \$919.6 million from general revenues, \$26.1 million more than FY2016 enacted. This increase includes \$9.9 million for the Medicaid expansion population and \$49.2 million for increased expenditures in Rhydy Options program. Increased expenditures within the Rhydy Option program are the result of increased enrollment as well as increased capitated rates to the MCO for behavioral health services. Additional expenditures are offset by Managed Care and administrative efficiency savings.

The Medicaid expansion program was fully federally funded until mid-year in FY2016 at which point it will reduce to 95.0 percent Federal Medical Assistance Percentage (FMAP), the amount of federal matching funds for state expenditures for assistance payments. FY2017 represents the first fiscal year in which general revenue is required for the Medicaid program's expansion. Approximately 64,000 residents are currently eligible for Medicaid coverage through this avenue of eligibility.

The FMAP will be incrementally phased down to 90.0 percent by CY2020 and is forecasted to impact general revenues as follows:

General Revenue Impact	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Medicaid Expansion	-	\$12.0	\$27.2	\$33.3	\$45.1	\$54.9
State Percent Contribution*	0	5.0%	6.0%	7.0%	10.0%	10.0%

\$ in millions

** calendar year avg*

Managed Care Organization (MCO) Related Initiatives**(\$4.0 Million)**

The Enacted Budget includes reduces expenditures to MCOs by \$4.0 million general revenue (\$10.9 million all funds) in FY2017. The initiatives included in the budget assumes savings associated with Accountable Entity enrollment and pharmacy utilization management. The Governor had included \$9.3 million in general revenue (\$26.5 million all funds) in the proposed MCO budget savings. The General Assembly reduced these savings by \$5.3 million in general revenue (\$15.6 million all funds).

2017 MCO Related Initiatives

Initiative	Gov FY17 GR	Budget
Administrative Rate Reduction	(\$3.3)	\$0.0
Re-Procurement	(2.0)	0.0
Pharmacy Utilization Management	(2.0)	(2.0)
Accountable Entity Savings	(2.0)	(2.0)
Total	(\$9.3)	(\$4.0)

\$ In millions

MCO Pharmacy Management: The Budget includes \$2.0 million (\$4.1 million all funds) in general revenue savings by improving utilization of the pharmacy benefit, particularly for treatment with high cost drugs.

EOHHS developed a Pharmacy Committee to work with the MCOs ensuring utilization management tools are being used appropriately. This effort reported savings in FY2016 for newly approved medications such as Sovaldi and Harvoni to treat chronic Hepatitis C. The State's Medicaid program is required to provide these new treatments despite their unprecedented high cost. In CY2015, 215 persons received treatment at a cost of about \$17,000 per month (after rebates).

The all funds cost estimates for the new treatments have been downwardly revised since October 2014 when the drugs were initially covered and little data regarding uptake was available to estimate cost.

In February and March 2015, OHHS revised its coverage policy for Hepatitis C therapies, which restricts prescribers to those with specialized training in the disease. Consistent with the policy in most other states, treatment by the new drugs is limited to those with evidence of significant liver disease and does not allow prescriptions for those with early Hepatitis C infection.

Hep C			
Estimates	FY2015	FY2016	FY2017
Nov-14	\$53.3	\$57.5	
May-15	14.8	31.3	
Nov-15		14.3	15.4

in millions

Sovaldi and Harvoni are considered breakthrough drugs not only for their clinical effectiveness but also because they represent the first drug priced based not on its research and development costs but rather on the cost of alternative treatment, a liver transplant. Along with Kalydeco, a \$300,000 a year treatment for cystic-fibrosis, these drugs are considered the first of a new breed of high-cost therapies that challenge the Medicaid budget.

Accountable Entity Savings: The Budget includes \$2.0 million general revenue savings (\$6.8 million all funds) in FY2017 by reforming Medicaid payment and service delivery systems towards a system that delivers coordinated, higher quality care at a lower cost while improving outcomes. Savings will be achieved through reductions in the capitated rate paid to the MCOs. MCOs will contract with accountable entities (AEs) to manage total cost of care for a minimum of 20,000 of the MCOs beneficiaries.

The FY2016 Enacted Budget established the opportunity for the creation of "accountable entities" (AEs), provider networks that includes hospitals, physicians, and specialists, and community organizations offering a full continuum of health care services for defined populations for a set, per-person rate. MCOs will contract with AEs to manage total cost of care. AE's will transition away from its current fragmented payment structure that is based on a fee-for-service, volume driven basis, and move toward a coordinated system of care which pays providers for quality and improved health outcomes, on a value driven basis.

EOHHS has created provisional certification standards and granted certification to five Pilot Accountable Entities; Blackstone Valley Community Health Center, East Bay Community Action Program, Integra Community Care Network, LLC (Care New England), Providence Community Health Center, and Prospect Health Services of RI, Inc. (Charter Care). EOHHS is creating program and governance requirements, quality and performance measures, and total cost of care guidance; however, final contracts and enrollment of beneficiaries has not yet occurred.

Nursing Facility Rate Increase

\$3.9 million

The Enacted Budget includes \$3.9 million in general revenue (\$7.9 million all funds) to support a rate increase for nursing facilities. In Article 7 Section (2), the Budget reverses the Governor's proposal to freeze a scheduled rate increase to nursing facilities. Article 7 requires that 85.0 percent of the aggregate amount of the increase be expended to fund an increase for wages, benefits, or related employee cost of direct care staff in nursing homes.

The Governor's FY2017 Budget proposed to freeze the rates to nursing homes, which was intended to take effect on October 1, 2016, resulting in \$2.0 million in general revenue savings in FY2017. While the Governor included \$2.0 million in general revenue savings, the proposal inadvertently did not apply the associated savings which would have been achieved in Managed Care payments to Nursing Facilities. The Enacted Budget restores proposed savings as well as the additional \$1.9 million for Managed Care

payments, providing a total increase of \$3.9 million in general revenue expenditures in FY2017 Enacted Budget.

Article 7 includes rate reform adjustors to per-diem payments and adjustors to direct care payments for nursing facilities. Adjustor payments are the result of a policy initiative intended to move from a cost-based payment methodology to a price-based methodology for nursing facility reimbursements. Adjustors are transitional payments provided to nursing facilities as the state shifts payment methodology.

The Budget adjusts per diem rates by 25 percent in FY2017 with the final transition adjustor scheduled in FY2018. This Article amends Section 2 (b) (1) by adding a transitional adjustment to direct care cost reimbursements rates. This provision will phase out the direct care cost reimbursements annually; reducing reimbursement by 25 percent increments beginning October 1, 2017 each year until October 1, 2021.

Analyst's Note: The cost associated with the rate reform adjustors was not included as a savings initiative in the Governor's FY2017 Budget proposal, however, the cost of the rate reforms were assumed in the May Caseload Estimating Conference.

Direct Care Wage Increase

\$2.0 million

The Budget includes \$2.0 million (\$4.1 million all funds) in FY2017 for wages for direct care workers providing care to long-term care beneficiaries living in the community. Through the Reinventing Medicaid process, held in 2015, stakeholders, community providers, and direct care workers expressed the need to strengthen and increase wages for the direct care workforce in order to support the effort to increase community options for individuals receiving long-term services and supports (LTSS).

Article 7 includes the authority for the EOHHS to create a wage-pass through program for personal care attendants and home health aides supporting individuals who receive LTSS living in the community. This proposal will require amendments to the Medicaid State Plan and/or the 1115 Demonstration Waiver to determine payment methodologies, as well as the creation of regulations establishing the wage-pass through program. EOHHS intends to create reporting requirements for providers that participate and consequently create a "claw back" provision to ensure the increase is flowing directly to increase wages of front-line staff.

Beneficiary Cost Share

(\$1.5 million)

The Budget includes \$1.5 million in general revenue savings in FY2017 by improving collection of beneficiary liability cost shares. EOHHS will improve methods for collection of cost share liabilities in the Medicaid Fee-For-Service (FFS) system and the Rhody Health Options (RHO) programs.

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

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

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

To correct this, EOHHS will replace the manual tasks with an automated process to ensure that Medicaid pays for services net of any patient liability. FY2017 savings include recoupment of patient liabilities since November 1, 2013, from the Rhody Health Options MCO. The funds collected are used for the sole purpose of offsetting the EOHHS financial contribution toward LTSS expenditures provided to beneficiaries.

Analyst's Note: Providers, nursing facilities, home and community based providers, as well as MCOs report significant challenges with the current collection and reporting process. CMS requires the State collect the patient's cost share as a condition of eligibility; therefore, the State must find a solution to ensure compliance with federal regulations. This initiative is aimed to address compliance with this federal regulation.

Administrative Improvements and Pharmacy Rebates **(\$1.3 million)**

The Budget includes \$1.3 million in general revenue savings in FY2017 for improved administrative efficiencies. Savings will be achieved through improved administrative efficiencies as well as reducing existing administrative contracts with Xerox which EOHHS will be re-procuring contracts in July of 2016. Additionally, savings are assumed through improved efficiencies enabling MCOs to maximize pharmacy rebates provided by pharmaceutical manufacturers.

Neonatal Intensive Care Unit (NICU) Bundle Payments **(\$1.0 million)**

The Budget includes \$1.0 million in general revenue (\$2.4 million all funds) of savings in FY2017 by renegotiating bundle payments the Neonatal Intensive Care Unit (NICU) receives for Medicaid covered infants.

Women and Infants Hospital operates the only Neonatal Intensive Care Unit in Rhode Island. Women and Infants has the highest rate of deliveries in the state, and operates one of the nation's largest single-family room NICU in the nation, capable of caring for 85 infants daily. The Medicaid program estimates \$27.2 million was expended in FY2016 for care provided infants in the NICU.

Early Intervention (EI) **(\$500,000)**

The Budget includes \$500,000 in general revenues savings in FY2017, achieved by shifting contracting costs currently funded by general revenues to federal funds. EI is an entitlement program that provides services to children ages birth to age three who have been identified as needing supportive services due to developmental delays in one or more areas of development. Services are tailored to meet the needs of the child and may include speech therapy, physical therapy, occupational therapy, social programming, and assistive technology support. Currently, commercial insurers cover EI services for families that possess commercial coverage. For families who are utilizing Medicaid for health coverage, costs of services are reimbursed through the Medicaid program. EOHHS will be re-procuring contracts in July of 2016. Additionally, EOHHS will assist the MCOs in maximizing pharmacy rebates provided by pharmaceutical manufacturers.

RItE Share Premium Assistance **(\$200,000)**

The Budget includes \$200,000 in general savings in FY2017, achieved by efficient attribution to the RItE Share Premium Assistance program. Article 9, Section 5, will allow EOHHS to create a process by which they will assess the most cost effective method to insure the individual, either through full coverage through Rhode Island's MCO plans or through the RItE Share premium assistance program. Medicaid covered groups, specifically, adults nineteen (19) and older as either low-income disabled or as part of the Affordable Care Act (ACA) Medicaid expansion, may qualify for the program.

The RItE Share program is a health insurance premium assistance program that pays for all or part of the employee's employer sponsored insurance (ESI). In instances when the ESI plan is found to be more cost effective than Medicaid, eligible Medicaid members will be required to enroll in their offered ESI plan and participate in the RItE Share program. EOHHS will ensure that the average cost of subsidizing the ESI coverage and wrap around Medicaid benefit, is less than enrolling the beneficiary in the state Medicaid managed care plan.

Graduate Medical Education Program**Informational**

The Budget includes \$2.0 million general revenues in FY2017 for the Graduate Medical Education Program. This program is entirely funded through general revenues and only available to Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. Currently, Lifespan is the only hospital that meets these criteria and qualifies for this funding. The Governor recommended elimination of the funding for this program in FY2016 and FY2017, however; the funding was reinstated by the Assembly in both fiscal years.

Transportation Contract**Informational**

In May of 2014, the Medicaid program entered into a three year risk-based contract with Logisticare, a centralized transportation broker. The State intended to improve transportation services through this contract with the expectation of decreasing the number of missed trips and ensuring a higher degree of program accountability. As a result, the funding of the transportation benefit changed to a capitated per-member-per-month payments based on monthly enrollment of eligible recipients times the agreed upon price per recipient.

In addition to Medicaid transportation, Logisticare has also been contracted to provide transportation for programs serving the elderly; including trips to adult day care, trips to congregate meal sites for the elderly, and trips for the disabled, (formerly provided through RIPTA's RIdE program), which operates in compliance with the federal Americans with Disabilities Act (ADA).

The total contract covering both Medicaid and non-Medicaid transportation is budgeted at \$27.3 million for FY2016 and FY2017. The Department reports Logisticare is operating with an 8.0 percent profit margin on the existing contract, as such EOHHS intends to renegotiate the scheduled rate adjustments within the current contract to maintain expenditures consistent with FY2016 Enacted Budget.

Repurposing Savings toward Alternative Care Models**Informational**

The Budget reverses the Governor's proposal to repurpose Disproportionate Share Hospital (DSH) payments and Upper Level Payments (UPL) payments to fund alternative care models for nursing facilities and hospitals. This initiative was intended to further long-term plans associated with the Reinventing Medicaid initiative, to ensure Rhode Islanders have access to a high quality, efficient health care delivery system aimed at delivering better health outcomes. The policy initiative was based on moving from "fee-for-service" payment models toward value-based purchasing. These initiatives were expected to be revenue neutral and assist EOHHS in their efforts to move toward value-based contracting with providers, particularly nursing facilities and hospitals.

Analyst's Note: The Executive Office of Health and Human Services is currently seeking approval from the Center for Medicaid and Medicare to leverage federal matching funds for Costs Not Otherwise Matchable (CNOM) that will be used to fund this initiative.

Disproportionate Share Payments (DSH): Rhode Island's community hospitals receive payments from EOHHS and the federal government for the uncompensated care that hospitals provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments. Article 9 of the Governor's Budget proposal would have amended "Uncompensated Care" language, changing the definition of a base year entirely and striking the provision establishing the disproportionate share hospital payment increase in FY2017. The Budget maintains the original language and should EOHHS receive CNOM approval, those federal matching funds will be used to fund the alternative payment incentive program.

Upper Payment Limits (UPL): UPL payments compensate 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. Article 9 would have repealed section 40-8.3-10 of the Uncompensated Care statute, eliminating both the inpatient and outpatient UPL payments to community hospitals in FY2017. The Budget does not repeal the Uncompensated Care statute and payments will not be repurposed.

Department of Children, Youth, and Families

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$7.2	\$7.9	\$8.8	\$0.9	11.5%	\$9.9	\$2.0	20.4%
Child Welfare	178.5	170.7	175.7	5.5	3.2%	171.1	\$0.4	0.2%
Children's Behavioral Health Services	10.7	11.4	11.2	(0.2)	-1.7%	10.1	(\$1.3)	-13.1%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	\$0.0	0.0%
Juvenile Correctional Services	25.1	26.4	26.3	(0.1)	-0.3%	25.2	(\$1.2)	-4.7%
Total	\$221.6	\$216.6	\$222.2	\$6.2	2.8%	\$216.5	(\$0.1)	0.0%
Expenditures By Source								
General Revenue	\$158.3	\$152.6	\$154.8	\$2.2	1.4%	\$151.8	(\$0.8)	-0.5%
Federal Funds	59.8	58.9	61.7	2.8	4.7%	60.4	1.5	2.5%
Restricted Receipts	3.0	2.8	3.7	0.9	30.3%	3.5	0.6	18.1%
Operating Transfers from Other Funds	0.4	2.2	2.0	0.3	14.9%	0.8	(1.4)	-166.5%
Total	\$221.6	\$216.6	\$222.2	\$6.2	2.8%	\$216.5	(\$0.1)	0.0%
Authorized FTE Levels	672.5	672.5	672.5	-	0.0%	629.5	(43.0)	-6.4%

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes an all funds decrease of \$482,331 and a decrease of \$603,711 in general revenues to DCYF in FY2017 from the FY2016 Enacted Budget. The supplemental budget includes an increase of \$2.2 million general revenue (\$6.2 million all funds). While the Budget appears to be minimally changed from FY2016 Enacted, significant shifts within the agency are occurring due to budget overruns in FY2016, primarily attributed to System of Care (SOC) administrative and contracted services. Budget savings in FY2017 are primarily in the Child Welfare division through: re-procurement of the SOC service previously provided by the SOC networks, improved administrative efficiencies, and appropriate placement of children in State care.

The Department continues to transform the agency to meet strategic objectives aimed at shifting programming towards a System of Care that strengthens families to safely raise children in their own homes, promotes kinship and non-kinship foster family placements for children who are removed from their families, minimizes congregate care placement, and prioritizes safe reunification, guardianship, and adoption.

Reform at the Department has led to reestablishing the agency's administrative authority to determine placement for a child when they are removed from their homes. In 2012, DCYF entered into three-year agreements with two independent, non-profit organizations (Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN)) to form the SOC networks. This shifted the majority of placement, case management, and financial responsibility associated with most youth in community-based placements and residential treatment from DCYF to the lead agencies. The Department identifies

the shifting placement authority back to the Department as a critical step in the restructuring the operations of the agency.

The Department issued a Request for Proposals (RFP) on March 16, 2016, for home-based services, placement-based services, and integrated home-based and placement-based services that improve long-term outcomes for children and families in DCYF care. This RFP is one of three proposals that will be used to re-procure all contracts currently issued by the Department. The remaining RFPs will be released in April (for services supporting transition to adulthood for current and former DCYF youth and accelerated adoption services) and in June (for services to prevent youth juvenile justice system involvement).

The Budget shifts \$1.6 million in personnel expenditures to Central Management, of which \$1.3 million is associated with increased administrative personnel in the Office of the Director. This increase largely represents shifting of personnel from other Divisions, whom are serving in an administrative capacity to Central Management. Additionally, the budget includes a decrease of \$1.8 million in general revenues in the Division of Child Welfare for the System of Care contracts and personnel savings. The savings are offset by a \$2.9 million general revenue increase in expenditures on foster care and daycare subsidies.

On February 17, 2016, the Child Advocate empaneled a Child Death Multidisciplinary Review Team to review circumstances of recent deaths of children in State care. The team took a comprehensive review of the most recent fatalities in order to understand how and why the children died and any warning signs or preventative measures that could have been in place. The team issued a final report on March 31, 2016 making 20 specific recommendations to improve the way in which fatal and near fatal incidences are documented and reported to the Office of the Child Advocate, as well as several policy reforms within the Department to prevent fatal and near fatal incidences from occurring.

Lastly, the Budget as Enacted reduced the Departments FTE allocation from the FY2016 Enacted level of 672.5 to 629.5, a reduction of 43.0 vacant FTE positions in FY2017. The reduction represents a 6.4 percent decrease in authorized FTE positions within the Department, leaving 85.0 FTE vacant positions as of June 29, 2016. The Department will assess the needs of each division to determine where the reduced 43.0 FTE positions will be allocated within the Department.

CENTRAL MANAGEMENT

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

The Budget recommends 55.4 FTE positions in FY2017, representing an increase of 8.0 FTE positions from the FY2016 enacted budget.

Central Management	General Revenue
FY2016 Enacted	\$5,575,757
<i>Target and Other Adjustments</i>	<i>(428,138)</i>
Personnel	1,609,530
Technology Upgrades	450,000
Professional Services	(132,771)
FY2017 Enacted	\$7,074,378
Personnel	\$1.6 million

The Budget shifts 8.0 FTEs to the Central Management division, increasing the budget by \$1.6 million in general revenue from the enacted level. The Department is shifting 4.5 FTE positions from Juvenile Corrections and 3.0 FTE positions from Children's Behavioral Healthcare program, to the Central

Management Division. The Department indicates the positions were primarily administrative and the shift support restructuring at the agency.

Technology Upgrades

\$450,000

The Budget adds \$450,000 for information technology (IT) infrastructure upgrades in FY2017, shifting the unspent funding allocations received in FY2016 Enacted Budget. The Department conducted a proof of concept to determine the feasibility of a mobile IT solution for field workers, and expects to begin deploying mobile devices in the summer of 2016.

Analyst's Note: The Department of Children, Youth, and Families (DCYF) established and continues to maintain a central information data system, or the Statewide Automated Child Welfare Information System (SACWIS). This system supports all DCYF field staff and regional offices, among other entities. The SACWIS also integrates with information management systems of DCYF's private, federal, state, and other partners.

Contracted Services

(\$132,771)

The Budget saves \$132,771 in general revenue from a reduction in IT personnel support services provided by NTT Data Inc. This contract provides programming and analysis for the Statewide Automated Child Welfare Information System (SACWIS) and Rhode Island Children's Information System (RICHIST) is the state case management system.

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 provides ongoing social services and case management to children and families who become involved with DCYF due to abuse or neglect, substance abuse, or behavioral health issues.

The Budget includes 392.6 FTE positions for the program in FY2017, 0.4 FTE less than the enacted level.

Child Welfare	General Revenue
FY2016 Enacted	\$116,626,469
<i>Target and Other Adjustments</i>	<i>(2,296)</i>
System of Care	(4,715,560)
Foster Care and Adoption Subsidies	1,669,131
Daycare Subsidies	1,200,000
Community Service Objective Grants	(210,256)
FY2017 Governor	\$114,567,488

System of Care Networks

(\$4.7 million)

The Budget reduces general revenue funding by \$4.7 million to the System of Care (SOC) networks in three areas; SOC administrative expenses, increased Medicaid reimbursement, and SSI contributions to cost of care for children in State care.

- The Budget includes \$2.1 million in general revenue savings by leveraging Medicaid claims for home-based services. The Department received approval from CMS to submit claims for Enhanced Family Support Services, Family Centered Treatment, Parenting with Love and Limits, Teen

Assertive Community Treatment, Positive Parenting Program and Trauma Systems Therapy. This will allow the Department to receive approximately 50.0 percent of the costs associated with providing these services. Previously the Department paid the cost of providing these services with state general revenue dollars.

- The Budget includes \$2.0 million in general revenue savings on the SOC administration contract. The Department has reestablished the agency's administrative authority to determine placement for a child when they are removed from their homes; therefore, the Department is no longer paying administrative fees to providers for this administrative function.
- The Budget assumes \$550,000 in general revenue savings for children in State care who are eligible for Social Security Income (SSI). The State will pursue SSI eligibility for children who demonstrate disabling conditions. If children are qualified, it will allow the State to collect SSI income on the child's behalf and apply the income toward their cost of care.

Foster Care and Adoption Subsidies

\$1.7 million

The Budget increases general revenues by \$1.7 million for foster care and adoption subsidies. The increase represents increases to daily foster care rates and adoption subsidies as well as reductions of federal Title IV-E matching funds.

The Foster Care daily rate increased beginning in January of 2016, from \$16.05 to \$18.59, increasing general revenue contributions by approximately \$1.7 million in FY2017. The increased rates have been partially offset by the caseload reductions in out-of-home care placements. As of March 1, 2016, there were approximately 1,272 children in foster care, compared to an average daily rate of 1,308 children in FY2015.

Daycare Subsidies

\$1.2 million

The Budget includes a \$1.2 million increase from general revenue for daycare subsidies for families as well as the negotiated 3.0 percent increase in payment rates daycare providers received in the FY2016 Enacted Budget. According to the Department the subsidy cost per family is approximately \$8,660 annually and expects to support approximately 628 children residing with foster care families in FY2017. The increase in general revenue expenditures are reflective of the 3.0 percent increase in payments rates to providers as well as adjustments in the FMAP rate.

Community Service Objective Grants

(\$210,256)

The FY2017 Budget includes significant changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The Chairs of the House and Senate Finance Committees sent a joint letter to agencies noting the grant awardees, and amounts of the awards. The State agencies then managed the application, award, and reconciliation processes for the grants.

Beginning in the FY2017 Budget, the CSO program will be administered differently. The program now consists to two components: line-item grant awards, and pooled grants. As a result of this change, the Department saw a reduction of \$210,256 in funding in FY2017 for grants the Department funded.

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 19.0 FTE positions for the program in FY2017, a reduction of 2.0 FTEs from the enacted level.

Children's Behavioral Health Services	General Revenue
FY2016 Enacted	\$4,593,903
<i>Target and Other Adjustments</i>	<i>(50,157)</i>
<i>Contract Extensions</i>	<i>933,452</i>
Personnel	(308,776)
Medicaid Match	(163,622)
FY2017 Enacted	\$5,004,800

Contract Extensions**\$933,452**

The Budget includes an increase of \$933,452 in general revenue expenditures as a result of proposed savings in the FY2016 Enacted Budget that were not achieved. The Department is undergoing a review and re-procurement of contracts issued by the Department. For this reason, many contracts have been extended beyond the projected dates; therefore, assumed savings in the FY2016 were not realized. The contracts associated with the unachieved savings are: Parent Support Network contract, providing Mental Health Services related to child abuse and neglect; Yale University, providing evaluation services; and AS220, providing mentoring and training services to youth in the juvenile correction facility.

Analyst's Note: Project Hope and Project Reach, have been identified as initiatives that have concluded; however, they remain funded with \$933,452 within the Department's budget. The Department intends to shift funds attributed to these accounts for other contracted services for the Division of Children's Behavioral Health.

Personnel**(\$308,776)**

The Budget reduces general revenue personnel funding in the Division of Children's Behavioral Health, generating \$308,776 savings. The reduction of personnel to the Division supports the ongoing reforms and realignment efforts at the agency. 3.0 FTE positions will shift to Central Management.

Medicaid Adjustments**(\$163,622)**

The Budget includes \$163,622 in general revenue savings associated with appropriately allocating medical expenditures to Medicaid which were previously reimbursed by the Department. The Department continues to uncover opportunities to maximize Medicaid covered services for children in their care and custody.

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, and is funded by state higher education incentive grants and federal education training vouchers. General revenue funding for the incentive program is set by statute at \$200,000.

During the 2014-2015 academic year, a total of 20 youth aged out of DCYF care, all of which received assistance. A total of 48 students in DCYF care received the federally-funded higher education grants. Of the awarded students, 15 attended the University of Rhode Island, 10 attended Rhode Island College, and 16 attended the Community College of Rhode Island, and 7 attended other private schools. DCYF indicates that the number of applicants is always significantly higher than the number of youth who receive assistance due to a number of factors, including some youth who are determined to be eligible, but choose not to attend college.

Higher Education Incentive Grants	General Revenue
FY2016 Enacted	\$200,000
<i>Target and Other Adjustments</i>	
	<i>0</i>
FY2017 Enacted	\$200,000

JUVENILE CORRECTIONS

Juvenile Corrections includes two major programs for youth:

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

The Budget includes 207.0 FTE positions for the program in FY2017, 3.0 FTE positions less than the enacted level. The decrease includes staff transitions due to the ongoing realignment efforts at the Department.

Juvenile Correctional Services	General Revenue
FY2016 Enacted	\$25,591,602
<i>Target and Other Adjustments</i>	
	<i>(19,760)</i>
RI Hospital Contract	(485,617)
Personnel	(159,127)
FY2017 Enacted	\$24,927,098

RI Hospital Contract **(\$485,617)**

The Budget assumes \$485,617 in general revenue savings by reducing contracted services provided by Rhode Island Hospital. The Division of Juvenile Corrections has contracted with Rhode Island Hospital since 2000 to support the medical, dental, and psychiatric services for youth at the Youth Detention Center (YDC). The Department has continued to make progress on preventing entry into the YDC and reducing recidivism, resulting in a declining annual population, from 1,103 youth in 2005 to 500 youth in 2014. The contracted services are being reduced to support the current census in the YDC.

Personnel **(\$159,127)**

The Budget decreases personnel funding within Juvenile Corrections, which includes personnel at the Rhode Island Training School (RITS) by \$159,127. According to the State Budget Office, this reduction is primarily associated with turnover savings and the agency realignment efforts. 4.5 FTE administrative positions will shift to Central Management.

CAPITAL PROJECTS

The Budget funds two capital projects, providing \$840,000 in Rhode Island Capital Plan (RICAP) funds; \$590,000 for Fire Code Upgrades to Youth Group Homes; and, \$250,000 for repairs to the Rhode Island Training School (RITS) in FY2017.

Major changes to the enacted capital plan include:

- Shifting \$590,000 in RICAP funds from FY2016 Enacted Budget to the Enacted FY2017 Budget to complete upgrades to fire protection systems at all 111 privately owned and operated youth group homes and facilities throughout the State. In FY2016 the Department indicated approximately 30 homes remain to be completed and they working closely with providers to prioritize remaining upgrades. Expenditures toward the project total \$2.8 million in RICAP funds.

Department of Health

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Central Management	\$11.8	\$11.3	\$12.5	\$1.2	10.6%	\$4.9	(\$6.5)	-57.1%
Community and Family Health and Equity	63.1	68.6	81.6	\$13.0	19.0%	-	(68.6)	-100.0%
Community Health and Equity	-	-	-	\$0.0	0.0%	106.0	106.0	0.0%
Customer Services	-	-	-	\$0.0	0.0%	11.0	11.0	0.0%
Environmental and Health Services Regulation	16.7	18.5	17.7	(\$0.8)	-4.3%	-	(18.5)	-100.0%
Environmental Health	-	-	-	\$0.0	0.0%	11.7	11.7	0.0%
Health Laboratories and Medical Examiner	8.3	9.4	9.1	(\$0.2)	-2.3%	12.2	2.8	30.0%
Infectious Disease and Epidemiology	5.4	6.8	5.5	(\$1.3)	-19.0%	-	(6.8)	-100.0%
Policy, Information and Communications	-	-	-	\$0.0	0.0%	3.1	3.1	0.0%
Preparedness, Resp, Infectious Dis, & Emergency Services	-	-	-	\$0.0	0.0%	14.0	14.0	0.0%
Public Health Information	3.7	3.9	3.7	(\$0.1)	-3.8%	-	(3.9)	-100.0%
State Medical Examiner	2.5	2.9	2.8	(\$0.1)	-3.8%	-	(2.9)	-100.0%
Total	\$111.4	\$121.4	\$133.0	\$11.6	9.6%	\$162.9	\$41.5	34.2%
Expenditures By Source								
General Revenue	\$22.8	\$25.8	\$25.5	(\$0.4)	-1.4%	\$25.9	0.1	0.4%
Federal Funds	57.7	65.8	70.1	\$4.3	6.6%	100.4	34.6	52.6%
Restricted Receipts	30.9	29.8	37.5	\$7.7	25.8%	36.6	6.8	22.7%
Other Funds	0.0	-	-	\$0.0	0.0%	-	0.0	0.0%
Total	\$111.4	\$121.4	\$133.0	\$11.6	9.6%	\$162.9	\$41.5	34.2%
Authorized FTE Levels	491.3	490.6	490.6	-	0.0%	503.6	13.0	2.6%

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 all funds budget for the Department totals \$162.9 million, \$41.5 million (34.2 percent) more than the FY2016 Budget as Enacted. The increase is largely driven by the transfer of the Women, Infants, and Children (WIC) program from the Department of Human Services to the Department of Health to conform to federal requirements. The \$26.1 million shift amounts to 62.9 percent of the all funds increase for FY2017.

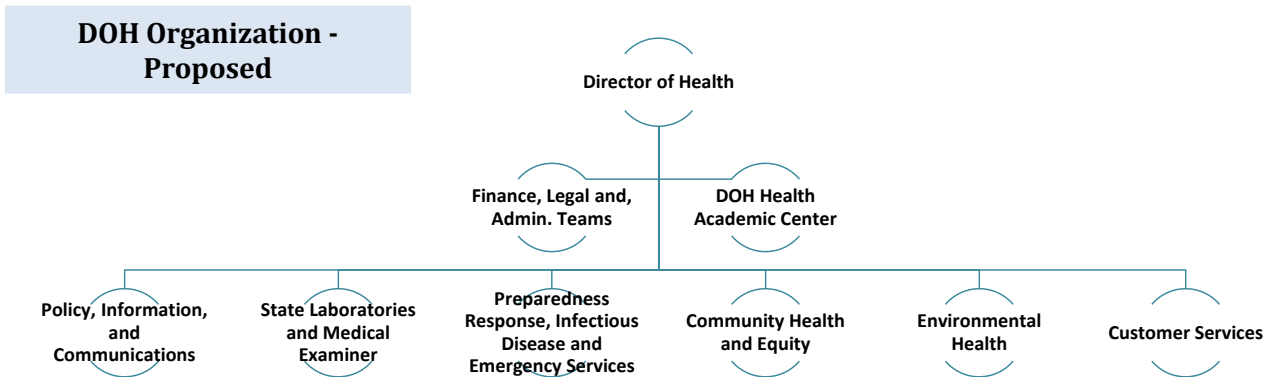
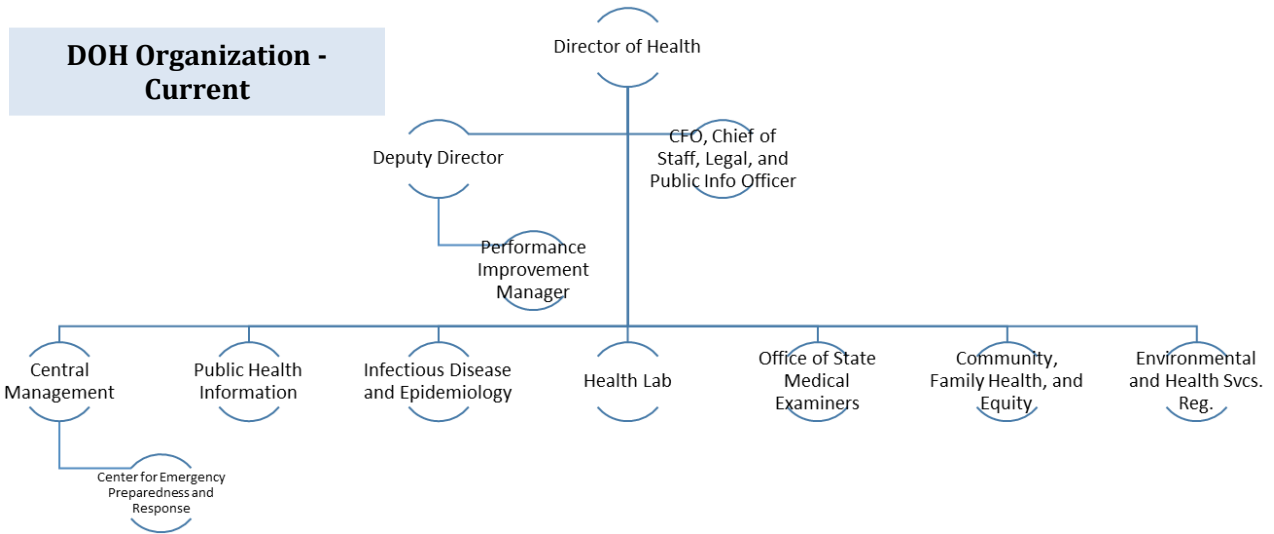
In FY2017 there are number of changes to how medical marijuana is licensed and tracked in the state. Many of the changes fall to the Department of Business Regulation. The Department of Health will maintain responsibility for patient and caregiver licensing; additionally, the Department will begin to issue a new license to "authorized marijuana purchasers", or individuals who are allowed to purchase medical marijuana from a compassion center and possess and transport the marijuana on behalf of a registered patient. The Budget increases restricted receipts to fund staffing costs in the Medical Marijuana program. These restricted receipts will be funded via licensing fees, which will be used to fund expanded regulation and new software for a tracking database.

The Budget authorizes the reorganization of the Department of Health for FY2017. Existing divisions are reconfigured for efficiency and to maximize service delivery based upon the Department's strategic objectives. The proposal includes development of a new Department of Health Academic Center. The Center is still under development, but is proposed to have external components to include public health

research and public health education programs. Internal activities would include workforce development and quality improvement programs.

Programmatic Reorganization

The reorganization of the Department’s programs and subprograms creates some new divisions as well as eliminates functions that were determined to be inconsistent with its current mission and goals.



Specific changes include:

- The Office of the State Medical Examiner is merged with the Health Laboratories division to create the State Laboratories and Medical Examiner program. Presently, the Office is a stand-alone program within the Department. This change will better reflect the physical location of both functions of the Department.
- Environmental and Health Services Regulation division is dissolved in FY2017, and its functions are allocated to both a new Environmental Health program and a new Customer Services division. Regulation of health professionals and certain healthcare and other facilities shifts to the new division of Customer Services.
- The Public Health Information program, which houses the Office of Vital Records, is eliminated in FY2017. The Office of Vital Records shifts to the new division of Customer Service to better reflect the Department’s role as an entity which interfaces regularly with the public. Other functions of the program shift to a new program of Policy, Information, and Communications. This new division will

also house its health systems policy and regulation, and legislative and regulative affairs subprograms.

- The division of Community, Family Health, and Equity is renamed Community Health and Equity, and remains largely intact. However, the Healthy Homes and Environment subprogram shifts to a newly created program of Environmental Health in FY2017. This new program will house the drinking water quality protection and food protection functions.
- The Preparedness, Response, Infectious Disease, and Emergency Services division is newly established to house the Department's work related to infectious diseases, sexually-transmitted diseases, emergency preparedness, and other emergency medical services.

CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. Currently the Central Management program includes the Center for Emergency Preparedness and Response. The Department is reorganized in FY2017, combining the Center with Infectious Disease and Emergency Medical Services.

The Budget funds 56.2 FTE positions in FY2016 and 31.3 FTE positions in FY2017. The reduction reflects the shift of emergency preparedness personnel to the new division.

Central Management	General Revenue
FY2016 Enacted	\$319,445
<i>Target and Other Adjustments</i>	-
<i>Community Service Grants</i>	<i>(319,445)</i>
FY2017 Enacted	\$0

Community Service Grants **(\$319,445)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. All Community Service Objective Grants are eliminated in the Department of Health, resulting in \$319,445 in general revenue savings.

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.

In FY2017 the division is renamed Community Health and Equity, and shifts the Women, Infants, and Children (WIC) nutrition program from the Department of Human Services, to the Department of Health. No funding or FTE positions are included for the current division title in FY2017.

Community and Family Health and Equity	General Revenue
FY2016 Enacted	\$2,532,862
<i>Target and Other Adjustments</i>	<i>(2,532,862)</i>
FY2017 Enacted	\$0

COMMUNITY HEALTH AND EQUITY

A new division of Community Health and Equity is created in FY2017, shifting functions from the existing division of Community and Family Health and Equity, and shifting the Women, Infants, and Children (WIC) nutrition program from the Department of Human Services, to the Department of Health.

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease (including HIV/AIDS and viral hepatitis), and strive for healthy communities. The division includes five centers: health disparities and access to care, chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services.

The Budget includes funding and authorization for 133.5 FTE positions in FY2017. This includes the shift of 122.0 FTE positions from the renamed division, plus 13.0 FTE positions for the WIC program transfer.

Community Health and Equity	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>1,530,102</i>
FY2017 Enacted	\$1,530,102

Community Health and Equity	Other Fund Changes
Women, Infants, and Children (WIC) Program	\$26,092,707

Women, Infants, and Children (WIC) Program (federal funds) \$26.1 million

The FY2017 budget shifts the Women, Infants, and Children (WIC) program from the Department of Human Services (DHS) to the Department of Health. 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. The shift would align the program with these other responsibilities. Prior to FY2010, the WIC program was administered by the Department of Health.

The WIC program provides federal grants to states for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk. The budget shifts \$26.1 million and 13.0 FTE positions from DHS to the Department.

CUSTOMER SERVICES

The Budget includes the creation of a Customer Services program in FY2017. The division will have licensure and regulatory responsibilities of health care professionals and facilities, and would be comprised of four centers: Professional Licensing, Professional Boards and Commissions, Vital Records, and Health Facilities Regulation.

The division encompasses portions of the current Environmental and Health Services Regulation division, and the Public Health Information division. The Budget includes 85.9 FTE positions in FY2017.

Customer Services	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>(6,117)</i>
Reorganization	6,304,316
Personnel Changes	65,422
FY2017 Enacted	\$6,363,621

Customer Services	Other Fund Changes
Medical Marijuana Patient Licenses	\$122,295

Reorganization **\$6.3 million**

The Budget shifts \$6.3 million in general revenue funding from existing programs to a new Division of Customer Services in FY2017.

Personnel Changes **\$65,422**

The Budget shifts expenses from an existing Executive Assistant position from restricted receipts to general revenues. According to the Department, the restricted receipt account (federal indirect cost recoveries) does not have sufficient resources to finance the position.

Medical Marijuana Patient Licenses (restricted receipts) **\$122,295**

In FY2017 there are number of changes to how medical marijuana is licensed and tracked in the state. Many of the changes fall to the Department of Business Regulation, however, the Department of Health would maintain responsibility for patient licensing. The Budget authorizes a restricted receipt account for receipt of licensure fees for associated staffing costs, which are estimated to total \$122,295.

The Department would also begin licensing “authorized marijuana purchasers”, or individuals who would be allowed to purchase medical marijuana from a compassion center and possess and transport the marijuana on behalf of a registered patient. The new licensure category requires authorized purchasers to register and pay a \$25 annual fee. The restricted receipt estimate does not include any potential authorized purchaser fees as they are expected to generate minimal resources and it is unknown how many registrations will occur.

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.

As part of the departmental restructuring, the division is eliminated in FY2017, shifting funding and FTE positions to the Environmental Health and Customer Services divisions.

Environmental and Health Services Regulation	General Revenue
FY2016 Enacted	\$9,559,707
<i>Target and Other Adjustments</i>	<i>(9,559,707)</i>
FY2017 Enacted	\$0

ENVIRONMENTAL HEALTH

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

The Budget authorizes 88.0 FTE positions in FY2017, reflecting the merger of portions of two pre-existing divisions.

Environmental Health	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	4,982,143
Lead Poisoning Prevention	187,000
FY2017 Enacted	\$5,169,143

Lead Poisoning Prevention

\$187,000

DOH is required by law to maintain a lead prevention program and the Budget adds \$187,000 to support its lead poisoning prevention activities. Of the total increase, the majority is intended to support Certified Lead Centers, which provide case management to approximately 550 lead poisoned children (\$150,000). This also includes \$25,000 for the Lead Elimination Surveillance System (LESS). This system, which also supports the Asbestos program, supports the lead program's operations. Blood lead level tracking, case management, inspection and lead abatement information are maintained within this system. Lastly, the budget includes \$12,000 to fund an agreement with the Providence Plan to provide data analysis and GIS services to the Department to assist with its efforts to increase the prevalence of lead screening and testing throughout the State.

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 2014, approximately 26,000 children younger than 72 months of age were screened. Of the children screened, 5.2 percent were determined to have blood lead levels at or exceeding 5 micrograms per deciliter, a decline from 19.9 percent in 2012. At this level, a child is considered to be lead poisoned based upon current Centers for Disease Control (CDC) guidelines.

HEALTH LABORATORIES AND MEDICAL EXAMINER

The Health Laboratories and Medical Examiner divisions are merged in FY2017. The division will 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 Medical Examiner investigates and certifies the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Office also provides expert testimony in criminal and civil cases.

The Budget authorizes 83.0 FTE positions in FY2017, reflecting the consolidation of the two divisions.

Health Laboratories and Medical Examiner	General Revenue
FY2016 Enacted	\$7,375,260
<i>Target and Other Adjustments</i>	(121,702)
Reorganization	2,774,940
FY2017 Enacted	\$10,028,498

Reorganization

\$2.8 million

The Health Laboratories and Medical Examiner divisions are merged in FY2017. The Budget reflects the shift of \$2.8 million and 17.5 FTE positions in the Office of the Medical Examiner to the new division.

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 program is eliminated in FY2017, merging it with emergency preparedness response activities into a new Preparedness Response, Infectious Disease, and Emergency Services division.

Infectious Disease and Epidemiology	General Revenue
FY2016 Enacted	\$1,717,250
<i>Target and Other Adjustments</i>	<i>(1,717,250)</i>
FY2017 Enacted	\$0

POLICY, INFORMATION, AND COMMUNICATIONS

A new Policy, Information, and Communications division is created in FY2017. The division includes the Center for Health Data and Analysis, which 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. This new division will also house the Health Systems Policy and Regulation subprogram.

The Budget includes 19.1 FTE positions for FY2017 in the division.

Policy, Information, and Communications	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>937,935</i>
FY2017 Enacted	\$937,935

PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY SERVICES

The Preparedness, Response, Infectious Disease, and Emergency Services division is created for FY2017. The division includes four centers that currently exist within two divisions of the department: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB; and, Emergency Medical Services.

The division prepares for and responds to catastrophic events, disasters, and emergencies. It also monitors and works to prevent the spread of infectious diseases, and licenses and regulates emergency medical services in the state.

The Budget includes 62.9 FTE positions in FY2017.

Preparedness, Resp, Infectious Dis, & Emergency Services	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>1,902,523</i>
FY2017 Enacted	\$1,902,523

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 Public Health Information program is eliminated in FY2017. The Office of Vital Records shifts to the new division of Customer Service to better reflect the Departments role as an entity which interfaces regularly with the public. Other functions of the program shift to a new program of Policy, Information, and Communications. This new division will also house the health systems policy and regulation, and legislative and regulative affairs subprograms.

Public Health Information	General Revenue
FY2016 Enacted	\$1,556,492
<i>Target and Other Adjustments</i>	<i>(1,556,492)</i>
FY2017 Enacted	\$0

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 Health Laboratories and Medical Examiner divisions are merged in FY2017. The Budget reflects the shift of \$2.8 million and 17.5 FTE positions in the Office of the Medical Examiner to the new division.

State Medical Examiner	General Revenue
FY2016 Enacted	\$2,774,940
<i>Target and Other Adjustments</i>	<i>(2,774,940)</i>
FY2017 Enacted	\$0

Department of Human Services

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$9.3	\$10.1	\$9.2	(\$1.0)	-9.4%	\$9.5	(\$0.6)	-5.8%
Individual and Family Support	152.2	156.0	174.1	18.1	11.6%	109.4	(46.6)	-29.9%
Rhode Island Works	84.8	90.4	87.0	(3.5)	-3.8%	93.0	2.5	2.8%
State Funded Programs	282.8	269.7	283.7	13.9	5.2%	283.7	13.9	5.2%
Supplemental Security Income Program	18.2	18.7	18.5	(0.2)	-1.1%	18.5	(0.2)	-1.1%
Health Care Eligibility	19.9	19.5	21.2	1.7	8.6%	19.2	(0.3)	-1.7%
Veterans Affairs	29.9	29.4	29.9	0.5	1.8%	40.6	11.3	38.3%
Child Support Enforcement	8.1	9.6	9.8	0.2	1.6%	9.5	(0.1)	-1.3%
Elderly Affairs	16.5	18.9	17.6	(1.3)	-7.0%	18.7	(0.2)	-0.8%
Total	\$621.6	\$622.4	\$654.1	\$31.7	5.1%	\$602.1	(\$20.3)	-3.3%
Expenditures By Source								
General Revenue	\$94.6	\$98.3	\$96.1	(\$2.2)	-2.2%	\$97.6	(\$0.6)	-0.6%
Federal Funds	520.3	517.5	547.7	30.2	5.8%	497.6	(19.8)	-3.8%
Restricted Receipts	2.4	2.1	1.9	(0.1)	-6.3%	1.7	(0.4)	-17.5%
Operating Transfers from Other Funds	4.4	4.6	5.1	0.5	11.6%	5.1	0.5	10.9%
Total	\$621.6	\$622.4	\$650.9	\$28.5	4.6%	\$602.1	(\$20.3)	-3.3%
Authorized FTE Levels	959.1	959.1	959.1	0.0	0.0%	937.1	(22.0)	-2.3%

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

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

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget reduces funding for FY2017 as compared to the FY2016 enacted level, in part, due to efficiencies associated with the anticipated completion of the Unified Health Infrastructure Project (UHIP). The savings is estimated to be \$2.1 million of general revenue funds. UHIP is 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. Over the life of the project, federal funds will contribute \$390.6 million and the State will contribute \$96.7 million in general revenues to the project through FFY2018.

The May 2015 Caseload Estimating Conference (CEC) projects an increase of \$3.4 million in general revenue funds for Child Care Assistance program spending in FY2017. This increase is due to continued program growth and the impact of new federal requirements. Additionally, the Budget continues to expand access to child care assistance for low-income families and parents. Specifically, the General Assembly changes the sunset date of the Transitional Child Care Pilot Program from September 30, 2016, to September 30, 2017. This program increases the exit income threshold for current child care program participants from 180 percent of the federal poverty level (FPL) up to 225 percent FPL, or from \$36,288 in annual income to \$45,360 in annual income for a family of three, respectively.

The Budget decreases the Department-wide FTE cap by 22.0 FTEs, from 959.1 in FY2016 to 937.1 in FY2017. This decrease is due to: 8.0 FTE positions moving from the Department's Front End Detection/Fraud Unit (housed in Individuals and Family Support) to the Department of Administration's (DOA) new audit unit; 13.0 FTE positions moving to the Department of Health, which is associated with the transfer of the Women, Infants and Children program; 3.0 FTE positions being eliminated in the Individual and Family Support program due to long term vacant positions in the Department; which is

offset by the addition of 2.0 full-time positions to Veterans Affairs. As of May 23, 2016, 85.0 positions are unfilled and 874.1 are filled.

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. Aside from any new initiatives included by the General Assembly, the May Caseload Estimating Conference (CEC) adopted estimates dictate the entitlement program appropriations included in the FY2017 Enacted 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 total \$112.8 million in FY2017. The Budget increases general revenue by \$3.1 million and decreases federal funds by \$866,368, as adopted by the May Caseload Estimating Conference. The major contributor to this increase in general revenue is the assumed continued growth of the

	FY2016	FY2017	Change to
Cash Assistance Program	Enacted	Enacted	Enacted
Rhode Island Works	\$29.2	\$23.1	(\$6.1)
Federal Funds	29.2	23.1	(6.1)
Child Care	\$61.3	\$69.9	\$8.6
Federal Funds	49.9	55.1	5.2
General Revenue	11.4	14.7	3.4
SSI - State Supplement	\$18.7	\$18.5	(\$0.2)
General Revenue	18.7	18.5	(0.2)
General Public Assistance	\$1.4	\$1.4	(\$0.1)
General Revenue	1.4	1.4	(0.1)
Total	\$110.6	\$112.8	\$2.2
Federal Funds	79.1	78.2	(0.9)
General Revenue	31.5	34.6	3.1

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

Child Care Assistance Program (CCAP) and the impact of new federal requirements for this program. This increase is offset by a decrease of general revenue within the Supplemental Security Income (SSI) program and the General Public Assistance (GPA) program. Both programs experience a caseload reduction; the SSI program caseload is reduced by 371 leading to a \$209,565 decrease, and the GPA program caseload is reduced by 34 individuals leading to a \$76,080 decrease. The federal funds decrease in FY2017 is comprised of a \$6.1 million decrease within the Rhode Island Works program, due to a decrease in caseload of 2,296 individuals, and is offset by an increase of \$5.2 million in the Child Care Assistance Program.

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 Budget authorizes 22.0 FTE positions in FY2017 for Central Management.

Central Management	General Revenue
FY2016 Enacted	\$5,412,814
<i>Target and Other Adjustments</i>	<i>(159)</i>
Community Service Grants	(560,632)
FY2017 Enacted	\$4,852,023
Community Service Grants	(\$560,632)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in

the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget includes \$1.4 million in line item grants, and \$1.3 million in pool grants in the Department of Human Services. There is a general revenue net decrease of \$560,632 in the program due to various grants being eliminated.

Line-Item Grants	FY2017
Boys and Girls Club of Rhode Island	\$250,000
Crossroads Rhode Island	300,000
Day One (Sexual Assault & Trauma Resource Center Of RI)	217,000
Institute for the Study and Practice of Nonviolence	200,000
RI Coalition Against Domestic Violence	300,000
RI Community Food Bank	175,000
Total	\$1,442,000

Pool Grants	FY2017
Elderly Nutrition	\$50,000
Elderly Security and Abuse	85,000
Senior Centers	400,000
Rhode Island Community Action (All cap Grants)	520,000
Veterans Services	200,000
Total	\$1,255,000

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 Budget includes 388.5 FTE positions in FY2017. This FTE count reflects a number of changes in staffing within the program: 13.0 FTEs from the Women, Infants, and Children (WIC) program will move to DOH, 8.0 FTE positions are eliminated due to the Department's Front End Detection/Fraud Unit moving to the Department of Administration, and 3.0 FTE positions are being eliminated due to long term vacancies in the division. Additionally, 13.0 FTE positions shift from the General Public Assistance (GPA) Unit to vacant positions within DHS or other Human Services.

These reductions are combined with a series of other changes that better reflect current programming and the Department's cost allocation plan, which is based upon actual workloads that vary throughout the year (e.g. some eligibility staff may shift from conducting determinations for one program area, such as Medicaid, and be shifted to conducting determinations for another program area, such as SNAP).

Individual and Family Support	General Revenue
FY2016 Enacted	\$22,970,906
<i>Target and Other Adjustments</i>	<i>(1,317,911)</i>
Unified Health Infrastructure Project	(2,058,898)
Eliminate GPA Program Staffing	(349,906)
Audit Personnel to DOA	(341,141)
Transfer of Independent Living Program	(26,400)
SNAP Payment Error Rates	Informational
ORS CNOMS	Informational
Race to the Top	Informational
FY2017 Enacted	\$18,876,650

Individual and Family Support	Other Fund Changes
Women, Infants, and Children (WIC) Program	(25,458,739)
Disability Determination Services	1,999,996

Unified Health Infrastructure Project**(\$2.1 million)**

The Budget includes a \$2.1 million cost savings within DHS in FY2017 due to the completion of the Unified Health Infrastructure Project (UHIP) and implementation of RI Bridges. These savings include approximately \$500,000 of SNAP bonus funds (which is further explained below), pending approval from the Food and Nutrition Service. This \$2.1 million savings is mostly composed of workforce savings due to automation of departmental tasks (e.g. processing human services applications). Additionally, the savings is composed of operational efficiencies, assumed once the office goes paperless and saves funds on document retention and storage.

UHIP is a two phase IT project. Phase I, which went live in October 2013, includes “simple” Medicaid eligibility and enrollment, and supports HealthSource RI (HSRI), the State’s health insurance marketplace, mandated under the federal health reform law. Phase II includes “complex” Medicaid eligibility and the inclusion of DHS programs such as cash assistance (TANF) and food assistance (SNAP). EOHHS announced on June 21, 2016, that RI Bridges, the State’s new integrated eligibility system, is expected to launch on September 13, 2016, two months later than the original launch date of July 12, 2016. The fiscal impact of this delay has yet to be determined.

Despite the decrease in DHS for FY2017, the costs across state departments associated with the development of this system have continually escalated year over year. The project began in FY2013 through interdepartmental collaboration between EOHHS, HSRI, DHS, and the Department of Administration’s Office of Digital Excellence. One of the project goals is to replace the State’s legacy eligibility system, InRhodes, with an integrated eligibility system that would serve as a single portal for DHS programs, Medicaid, and HSRI. Supported by enhanced Medicaid matching funds and HSRI establishment grants, the original projected costs were expected to be approximately \$150.0 million to complete Phase I and Phase II. In FY2016 the projected costs were \$230.0 million; as of spring 2016 the overall costs were projected to be approximately \$363.7 million (\$284.7 in federal funds and \$79.0 million in State funds). The most recent cost projections, as of July 2016, are estimated to be \$487.4 million (\$390.6 million in federal funds and \$96.7 million in State funds) through FFY2018. The UHIP project has been largely funded through federal contributions.

Eliminate GPA Program Staffing**(\$349,906)**

The Budget includes a \$349,906 savings by eliminating the General Public Assistance (GPA) staffing unit. The unit’s work would shift to other employees throughout the Department’s field offices. This proposal will shift 13.0 FTE to vacant positions in the Department. Over time, participation in the GPA program has continued to decline. The May 2015 Caseload Estimating Conference projected that 400 individuals would participate in the program, a decline of 34 individuals from the FY2016 enacted level to the FY2017 adopted estimate. This program is entirely general revenue funded.

Audit Personnel to DOA**(\$341,141)**

The Budget decreases general revenue by \$341,141, reflecting the transfer of 8.0 FTEs from the Department of Human Services to the Department of Administration due to the proposed centralization of audit functions. The purpose of this centralization process is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. There is a corresponding increase in the Department of Administration's budget.

Transfer of Independent Living Program**(\$26,400)**

The Budget decreases general revenue funds by \$26,400 and federal funds by \$228,750 due to the transfer of the Independent Living Program and Statewide Independent Living Council from the Department's Office of Rehabilitation Services to the Governor's Commission on Disabilities.

SNAP Payment Error Rates**Informational**

For four consecutive federal fiscal years (FFY), FFY2010 through FFY2013, the Department of Human Services (DHS) failed to meet the annual national performance measure for the Supplemental Nutrition Assistance Program (SNAP). In June 2015, DHS was notified that RI was under the threshold for SNAP error rates for FFY2014 and therefore one-half of the FFY2013 penalty, \$341,675, was no longer due. Additionally, DHS received a bonus of approximately \$500,000 for "most improved payment accuracy" and a bonus of approximately \$400,000 for "best program access index" in FFY2014. DHS assumes that there will be no penalty in FFY2015 and that they will continue to qualify for bonus funds of approximately \$500,000 in FY2017. These bonus funds are required to be invested into SNAP for items such as training or IT investment and are earmarked for UHIP.

Each year, the United States Department of Agriculture (USDA) assesses each state's SNAP program and determines the accuracy of benefits paid as part of its quality control efforts. The USDA's assessment consists of three components: overpayment rate, underpayment rate, and a payment error rate, which is the sum of the previous two components. The overpayment rate estimates the percent of payments made to households in excess of the entitled amount, whereas the underpayment rate reflects payments that were not received by eligible households. The payment error rate is the benchmark used by the USDA as a performance metric and to determine what, if any, penalty is assessed to an individual state.

USDA provided DHS an option to pay half of the penalty assessed and reinvest internally the second half of the penalty to improve the accuracy of benefits awarded. However, if the national benchmark was not met in the subsequent fiscal year and improvements were insufficient to decrease the error rate, DHS was required to pay the remaining half of the penalty. For example, for FFY2011, a penalty of \$519,251 was assessed, however, only \$259,625.50 was due and the Department was permitted to reinvest the remaining half into its programs. During the FFY2012 audit it was determined by the USDA that Rhode Island once again exceeded the national benchmark, and was required to pay the full, initial penalty amount of \$519,251 for FFY2011.

ORS CNOMs**Informational**

The Budget maintains level general revenue funding of approximately \$300,000 for two costs not otherwise matchable (CNOM) programs within the Office of Rehabilitation Services (ORS); these funds are matched dollar-for-dollar by federal funds. The relatively limited population of individuals, served by ORS through these CNOM programs, is unable to access service elsewhere. These programs seek to prevent primarily disabled or elderly persons from moving to higher levels of care; they had been proposed to be eliminated in the Governor's Budget. The General Assembly restored funding to the following two rehabilitative services:

- The Home Modifications program helps to address physical barriers within the home with items such as, wheelchair ramps and shower replacements. This program serves approximately 20 individuals per year through the Ocean State Independent Living Center (OSCIL), the majority of these clients are unemployed.

- The Personal Care Attendant (PCA) currently serves 11 people, and provides access to support for basic daily living skills for up to 20 hours per week.

Race to the Top**Informational**

The Budget does not include the Governor's proposal to replace exhausted federal funds and extend programing that was supported by the federal Race to the Top Early Learning Challenge grant. The use of the federal funds was originally set to expire December 31, 2015, and has been extended until December 31, 2016.

Women, Infants, and Children (WIC) Program (federal funds)**(\$25.5 million)**

The Budget shifts the Women, Infants, and Children (WIC) program, \$25.5 million, and 13.0 FTE positions from the Department of Human Services (DHS) to the Department of Health. 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. The shift would align the program with these other responsibilities. Prior to FY2010, the WIC program was administered by the Department of Health.

The WIC program provides federal grants to states for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk.

Disability Determination Services (federal funds)**\$2.0 million**

The Budget increases federal funds by \$2.0 million due to a 20.0 percent increase to medical consultants' salaries in Disability Determination Unit in the Office of Rehabilitative Services. These services are under the Social Security Administration, which set forth the goal of increasing salaries.

RHODE ISLAND WORKS

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

Rhode Island Works	General Revenue
FY2016 Enacted	\$11,368,635
<i>Target and Other Adjustments</i>	<i>0</i>
Caseload Estimating Conference - Child Care	3,378,606
TANF Child Care Cap	Informational
Child Care Expansion Program	Informational
FY2017 Enacted	\$14,747,241

Rhode Island Works	Other Fund Changes
Caseload Estimating Conference - Rhode Island Works	(6,074,085)

Caseload Estimating Conference – Child Care Assistance**\$3.4 million**

Rhode Island provides child care assistance to low income families (typically, families earning less than 180.0 percent of the federal poverty level, or \$36,162 annually for a family of three, are eligible). General revenue funding is estimated to increase by \$3.4 million in FY2017. The CEC adopted a FY2017 estimate of 9,603 child care subsidies at a cost of \$14.7 million general revenue (\$69.9 million all funds). The estimate assumes continued program growth and the impact of the new federal requirements, which are anticipated to begin in FY2017. These new requirements include the following changes: 12 months of

uninterrupted child care benefits, three months of continued eligibility when a family faces a job loss, and increased funding allocated towards quality improvement activities.

TANF Child Care Cap

Informational

The federal Temporary Assistance to Needy Families (TANF) Block Grant is the primary funding source for Rhode Island Works. To access these funds each fiscal year, the State is required to maintain expenditures of at least 80 percent of historic “qualified” state expenditures under the former Aid to Families with Dependent Children (AFDC) Program, referred to as maintenance of effort (MOE). In Rhode Island, 80.0 percent MOE is approximately \$64.0 million.

Rhode Island’s TANF Block Grant totals approximately \$95.0 million and has a 30.0 percent cap on funds that can be allocated to the Child Care Assistance Program (CCAP), which has been maximized. In previous years, the Department has been under the 30.0 percent cap and was able to carry funding into the following fiscal year; due to increased child care caseloads, this is no longer the case and the 30 percent cap has been met. However, the State has assumed that additional TANF funds, that had been previously thought to be unavailable to fund CCAP, are authorized to be allocated towards CCAP.

Child Care Expansion Programs

Informational

Beginning October 1, 2013, two pilot programs expanded access to child care assistance:

- The **Child Care for Training Program**, formerly the Back to Work RI Child Care Pilot Program, was made a permanent part of the Child Care Assistance Program in FY2016. This program provides short-term child care assistance to families who are engaged in approved job training and preparation activities and who require child care to participate. In FY2017 is projected that there will be an average of 57 children per cycle (a cycle is defined as a two week period). Families must also meet income eligibility requirements (below 180.0 percent FPL, or \$36,288 annually for a family of three). This program will be funded via Temporary Assistance to Needy Families (TANF), it is anticipated that this program will cost \$411,586 in FY2017.
- The **Transitional Child Care Pilot Program** expands access to child care assistance by increasing the exit income threshold for current child care program participants from 180 percent of the federal poverty level (FPL) up to 225 percent FPL, or from \$36,288 in annual income to \$45,360 in annual income for a family of three, respectively. Under Article 7, the sunset date of the Transitional Child Care Pilot Program changes from September 30, 2016, to September 30, 2017, extending the pilot program for an additional year. The article allows families who receive child care assistance to continue to participate in this program until the pilot’s expiration date of September 30, 2017, or until their income exceeds 225 percent FPL, whichever occurs first. On average 344 children per cycle utilized the program in FY2016 and the Department estimates that an average of 481 children per cycle will utilize the program in FY2017. The cost of extending this program was included in the May Caseload Estimating Conference.

Analyst’s Note: According to the Department of Human Services, the State’s child care program must be in compliance with new federal law, under the Child Care and Development Block Grant, by September 30, 2016. However, the Department is awaiting clarification on portions of this new federal law.

The new law states that each child who is determined eligible for a State child care program must have no less than 12 months of continuous eligibility unless the family’s income exceeds 85.0 percent of State Median Income, equivalent to approximately 300.0 percent FPL (\$60,480 for a family of three). Additionally, the State will be required to implement a “graduated phase out” for families utilizing the child care program whose income exceeds the entrance threshold of 180.0 percent FPL. The Department indicates that the Transitional Child Care Program complies with the federal “graduated phase out” requirement. The May Caseload Estimating Conference includes the cost of implementing the new federal requirements.

Caseload Estimating Conference – RI Works (federal funds)**(\$6.1 million)**

The May 2015 Caseload Estimating Conference (CEC) estimated a Rhode Island Works (RIW) caseload average of 9,920 recipients and total program cost of \$23.1 million for FY2017, all of which is federal funds and represents an decrease of \$6.1 million in federal funds from the FY2016 enacted level. The Rhode Island Works Program has experienced a decline in both the number of participants and the average cost per month of each participant. DHS indicates a slowly improving economy and families reaching time limits, which impact how long recipients are eligible for RIW benefits, are the primary factors driving this steady decline.

STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, General Public Assistance (GPA) and The Supplemental Nutrition Assistance Program (SNAP). Only one of these programs, in fact, is state-funded.

GPA is a state-funded program (RIGL 40-6-3) that provides basic cash assistance to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

SNAP, or “food stamps”, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$282.1 million in FY2017) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program, however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2016 Enacted	\$1,658,880
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference	0
	(76,080)
FY2017 Enacted	\$1,582,800

Caseload Estimating Conference**(\$76,080)**

Estimators at the May 2016 Caseload Estimating Conference (CEC) projected a decrease in general public assistance (GPA) expenditures in FY2017 due to less individuals utilizing the program. There is a decrease of 34 individuals from FY2016 to FY2017. 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 \$1.4 million in FY2017, a \$76,080 decrease from the FY2016 enacted level.

The GPA hardship contingency fund, which is reauthorizes each year in Article 1 of the budget and outside of the CEC, was funded at \$210,000 in general revenue in the FY2016 Budget as Enacted. The Budget continues to fund the program at this level for FY2017.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps). Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient’s income; generally, the more income an

individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. The amount of the state supplement decreases every year by an amount equal to the federal payment's cost-of-living adjustment, thereby keeping the total benefit the same. Beginning December 2014, the federal benefit increased by 1.7 percent.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

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

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

Supplemental Security Income Program	General Revenue
FY2016 Enacted	\$18,706,478
<hr/>	
<i>Target and Other Adjustments</i>	<i>0</i>
Caseload Estimating Conference	(209,565)
FY2017 Enacted	\$18,496,913
<i>Caseload Estimating Conference</i>	<i>(\$209,565)</i>

The May 2015 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$18.5 million (included \$52,000 in fees associated with the SSI program) in FY2017, which represents a reduction of \$209,565 from the enacted level. This is based upon a SSI caseload estimate of 33,730 individuals in FY2017, 371 less individuals than FY2016. Individuals will receive an estimated average monthly payment \$45.57.

Prior to January 1, 2011, the federal government administered the state supplemental payment for all beneficiaries in Rhode Island, issuing 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 for a majority of recipients 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. Transaction fees are expected to total \$52,000 in FY2016 and FY2017.

HEALTH CARE ELIGIBILITY

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

The Budget authorizes 194.3 FTE positions.

Health Care Eligibility	General Revenue
FY2016 Enacted	\$8,071,757
<i>Target and Other Adjustments</i>	<i>205,884</i>
Reinvent Medicaid	250,000
FY2017 Enacted	\$8,527,641
Reinvent Medicaid	\$250,000

The FY2016 Budget as Enacted included \$500,000 in general revenue savings (\$1.0 million all funds) due to the Reinventing Medicaid Operational Efficiencies initiative. These savings were not realized in FY2016. The FY2017 Budget restores administrative savings of \$250,000 in both general revenues and federal funds, totaling \$500,000 all funds. These savings will be achieved due to operational efficiencies and administrative simplifications. This initiative requires an ongoing thorough review of staff assignments to ensure that proper workload, based on expertise is assigned to staff. To achieve savings, it is expected that positions that were slated to be filled will not be filled and existing staff will be redistributed throughout agencies.

VETERANS AFFAIRS

The Division of Veterans Affairs serves Rhode Island's veteran population of approximately 70,000. The program operates the Rhode Island Veterans Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans Cemetery in Exeter, Rhode Island.

The Budget includes 242.1 FTE positions. There is an increase of 2.0 FTE positions (which is explained below) to the Division.

Veterans Affairs	General Revenue
FY2016 Enacted	\$20,496,870
<i>Target and Other Adjustments</i>	<i>77,433</i>
Veterans Affairs Additional Positions	130,391
FY2017 Enacted	\$20,704,694
Veterans Affairs	Other Funds Changes
Veterans Home Construction Project	10,000,000
Veterans Affairs Program Budget Error	430,271

Veterans Affairs Additional Positions **\$130,391**

The Budget includes a \$130,391 increase in general revenue expenditures (\$183,649 all funds) to add two Chief of Veterans Affairs positions. This expenditure represents the general revenue funded portion of the new positions' salaries and benefits; each Chief will receive a salary of \$59,279. These new positions are being added to enhance outreach activities to veterans in Rhode Island.

Veterans Home Construction Project (federal funds) **\$10.0 million**

The Budget increases by \$10.0 million due to an anticipated partial grant award in FY2017 from the federal VA for the federal share of the cost for the Veterans Home Construction Project. The Department anticipates that the full grant award will total \$60.5 million and it is currently unclear whether partial funding or full funding will be received in FY2017.

Additionally, the Budget includes a \$27.0 million bond referendum for the construction of a new Veterans Home and renovation of existing facilities in Bristol. This authorization is in addition to the ballot approved in 2012 providing \$94.0 million; however, due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans Administration (VA) approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$120.5 million, including \$61.0 million in state funds and \$60.5 million in federal funds. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million, leaving a shortfall of \$27.0 million. The new bond referendum will address this shortfall to fully fund the new Veterans Home at a reduced cost to the State.

Veterans Affairs Program Budget Error (restricted receipts) \$430,217

The Budget is increased by \$430,217 in restricted receipt funding due to an error made in the Department's budget submission; resources in the Veterans program were not accounted for entirely.

CHILD SUPPORT ENFORCEMENT

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

The Budget authorizes 59.2 FTE positions for FY2017.

Child Support Enforcement	General Revenue
FY2016 Enacted	\$2,996,584
<i>Target and Other Adjustments</i>	
	<i>0</i>
Child Support System	318,039
FY2017 Enacted	\$3,314,623

Child Support System \$318,039

The Budget adds \$318,039 in general revenue in FY2017 for costs associated with licensing and maintaining the InRhodes system. The Office is anticipated to be the only remaining user of InRhodes, which is being replaced through UHIP with a new integrated eligibility system (IES) in FY2017. According to DHS and the State Budget Office, it is prohibitive for the Office to remain the sole user of InRhodes given the cost of licensing and maintenance fees. A feasibility study was completed in January 2016 to identify alternatives to InRhodes for this division. The Department is awaiting direction from the Federal Office of Child Support regarding whether additional 90/10 funding would be available for this project to lower the cost of a new case management system for the State.

ELDERLY AFFAIRS

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

The Budget authorizes 31.0 FTE positions for FY2017, consistent with the FY2016 enacted level.

Elderly Affairs	General Revenue
FY2016 Enacted	\$6,588,759
<i>Target and Other Adjustments</i>	<i>(55,030)</i>
Volunteer Guardian Program	Informational
Long Term Care Ombudsman	Informational
FY2017 Enacted	\$6,533,729

Volunteer Guardian Program**Informational**

The Budget maintains level funding with the FY2016 Enacted Budget at \$81,512 in general revenues to support the Division of Elderly Affairs (DEA) Volunteer Guardianship Program (VGP). Additionally, there is an increase of \$81,512 in federal funds, assuming that Medicaid funds can be matched for this program. The program had been proposed to be eliminated in the Governor's Budget.

The purpose of the VGP is to provide guardianship services to low-income, older, at-risk persons who have been identified by a referral source as being in need of a guardian. Volunteers are appointed as "Good Samaritan" Guardians of the person by a Probate Court Judge and make important health care, residence, and relationship decisions (guardians, under this program, do not make decisions regarding the property or finance of the ward). As of December 2015, there are a total of 80 participants in this program.

Long Term Care Ombudsman**Informational**

The Budget maintains level funding with the FY2016 Enacted Budget for the Long Term Care Ombudsman (LTC). The Governor had proposed reducing funding by \$45,000 in general revenues, which would have been a total reduction of \$90,000 due to a federal match. The Budget eliminates this proposal. Currently, DHS contracts with the Alliance for Better Long Term Care to fulfill this position.

Alliance for Better Long Term Care advocates on behalf of residents of nursing homes, assisted living residences, other facility residents, and those who receive home care services. The ombudsman program identifies, investigates, and resolves complaints raised by residents, or persons acting on their behalf, of long term care facilities and persons receiving home or hospice care. According to their 2015 annual report, Alliance for Better Long Term Care opened 622 cases (each case involves one or more complaints) in FY2014.

CAPITAL PROJECTS

The Budget includes a total of \$78.3 million for capital projects from FY2017 through FY2021. Specific capital projects and funding amounts for DHS include:

- \$27.0 million in bond proceeds for the construction of a new Veteran's Home and renovations of existing facilities in Bristol. This \$27.0 million is in addition to the 2012 ballot approval, which provided \$94.0 million to this project. Due to increased federal reimbursements, the cost to the state will decrease by \$12.4 million.

Analyst Note: The 2012 bond referendum only allowed the State to issue \$33.5 million, leaving a shortfall of \$27.0 million. The new bond referendum, proposed for November 2016, will address this \$27.0 million shortfall to fully fund the project at a reduced cost to the State.

- \$165,000 annually from FY2017 through FY2021 in Rhode Island Capital Plan Funds to establish and refurbish vending facilities to be operated by the legally blind. \$200,000 was recommended to be spent in FY2016. Prior to FY2016, expenditures totaled \$835,245.
- \$75,000 from restricted receipts in FY2016 to complete a survey of Veterans Cemetery burial fields. Currently this project is on hold while the Division waits to hear about an outstanding grant application to acquire additional funding.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$1.3	\$1.6	\$1.5	(\$0.1)	-5.1%	\$1.7	\$0.1	\$0.0
Hospital & Community Support System	3.20	2.78	2.53	-0.25	-0.10	2.91	0.13	0.05
Hospital & Community Rehabilitation Services	114.80	116.31	115.67	-0.63	-0.01	114.33	-1.98	-0.02
Behavioral Healthcare Services	16.34	19.37	20.76	1.39	0.07	20.45	1.08	0.05
Services for the Developmentally Disabled	239.51	230.87	240.47	9.60	0.04	246.24	15.37	0.06
Total	\$375.1	\$370.9	\$381.0	\$10.0	2.6%	\$385.6	\$14.7	3.8%
Expenditures By Source								
General Revenue	\$173.3	\$172.5	\$175.3	\$2.9	1.6%	\$173.2	\$0.7	0.4%
Federal Funds	187.7	182.6	190.9	8.3	4.4%	193.0	10.4	5.4%
Restricted Receipts	9.9	9.2	8.2	(1.0)	-12.1%	8.4	(0.7)	-8.8%
Operating Transfers from Other Funds	4.3	6.7	6.5	(0.2)	-2.8%	11.0	4.3	39.2%
Total	\$375.1	\$370.9	\$381.0	\$10.0	2.6%	\$385.6	\$14.7	3.8%
Authorized FTE Levels	1,420.4	1,421.4	1,419.4	(2.0)	-0.1%	1,352.4	(69.0)	-4.9%

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

The Budget includes 1,352.4 FTEs, a reduction of 69.0 FTEs from the FY2016 Enacted Budget. This represents a shift of 2.0 FTE positions from the Division of Hospital and Community Support System to the Department of Administration Division of Capital Asset Management and Maintenance, as well as the reduction of 2.0 FTE Senior Health Promotion Specialists in the Division of Behavioral Healthcare, and a reduction of 65.0 vacant FTE positions within the Department.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget for BHDDH in FY2017 includes \$173.2 million in general revenue (\$385.6 million all funds) an increase of \$14.7 million all funds over the FY2016 Enacted Budget. The increase largely represents increased expenditures in the Division of Developmental Disabilities to support requirements of the Consent Decree. The FY2016 Supplemental Budget includes a \$4.3 million general revenue increase to the Division and the FY2017 Enacted Budget includes a \$5.3 million general revenue increase to the Division. The Budget offsets the increased expenditures, with \$4.6 million in general revenue savings in the Division of Hospitals and Community Rehabilitative Services associated with in the administration of Eleanor Slater Hospital, the State-operated psychiatric hospital.

The State was sued by the federal government for violations of the Olmstead Act, requiring the State to take targeted action to create supportive employment and community integration of person's with intellectual disabilities. Increased expenditures in the Division are directly associated with State compliance with the Consent Decree. The State continues to invest in supportive services in integrated settings in order to reform the system of care for individuals with disabilities. This investment of general

revenues will increasingly grow to meet the requirements of the Consent Decree until FY2024, where more than \$30.0 million more annually will be required.

The Governor’s Budget had included significant savings associated with the transition of persons with intellectual disabilities from residential placement in private and state owned group homes to less costly living settings known as Shared Living Arrangements (SLA). The projected savings totaled \$1.5 million in general revenue savings in FY2016 and \$7.5 million in general revenue (\$16.2 million all funds) in FY2017 for implementation of this initiative. To date the Department has successfully transitioned 27 of the 100 individuals by the March 1, 2016, target date and does not expect to achieve the originally proposed savings. The General Assembly reduced the Governor’s proposed savings by \$5.0 million in general revenue (\$10.2 million all funds) in FY2017.

Lastly, the Budget includes a \$2.5 million general revenue increase (\$5.0 million all funds) toward increasing wages for direct care workers providing care for individuals with disabilities. Wage increases will be exclusive to private provider direct care workers and will not include wage increase to RICLAS direct care workers who also provide care for individuals with disabilities.

Consent Decree Related Expenditures

Fiscal Year	Incremental Cost Per Year	Total Additional Expenditure
FY2017	\$1,870,474	\$1,870,474
FY2018	\$2,264,400	\$4,134,874
FY2019	\$2,264,400	\$6,399,274
FY2020	\$3,446,175	\$9,845,449
FY2021	\$3,840,100	\$13,685,549
FY2022	\$5,415,800	\$19,101,349
FY2023	\$5,145,800	\$24,247,149
FY2024	\$5,809,725	\$30,056,874
Total	\$30,056,874	\$109,340,992

* Source: Office of Management and Budget

* \$ All Funds Expenditures

* Inflationary costs are not included in totals

CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program functions include Management and Administration; Legislative Affairs; Constituent Affairs; Advocacy; Hospital Appeals; Strategic Planning; Community and Provider Involvement; and Public Education. The program also centralizes emergency management, asset management and capital projects, performance improvement, and funds development for the Department.

The Budget includes 11.6 FTE positions, an increase of 0.6 FTEs from the enacted level. Minor adjustments include shifting of 0.15 FTE cost allocation of the Chief of Information and Public Relations salary and increased salary and benefit cost allocation of the Director to general revenue.

Central Management	General Revenue
FY2016 Enacted	\$1,015,570
<i>Target and Other Adjustments</i>	<i>82,173</i>
FY2017 Enacted	\$1,097,743

HOSPITALS AND COMMUNITY SUPPORT SYSTEM

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

The Budget 19.0 FTE positions, 4.0 FTEs less than FY2016 Enacted levels. The reduction represents the shifting of 2.0 FTEs to the Department of Administration and 2.0 FTEs are assumed in personnel turnover.

Hospital & Community System Support	General Revenue
FY2016 Enacted	\$1,468,050
<i>Target and Other Adjustments</i>	<i>6,914</i>
FY2017 Enacted	\$1,474,964

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 campus, the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

The Budget includes 906.8 FTE positions, consistent with FY2016 Enacted level.

Hospital & Community Rehabilitation Services	General Revenue
FY2016 Enacted	\$53,513,521
<i>Target and Other Adjustments</i>	<i>(112,253)</i>
Eleanor Slater Hospital Reorganization	(4,569,302)
Hospital Management Contract (AMS)	290,619
Hospital License Fee	(178,366)
FY2017 Enacted	\$48,944,219

Eleanor Slater Hospital Reorganization ***(\$4.6 million)***

The FY2017 Budget includes general revenue savings of \$4.6 million (\$6.9 million all funds) related to the reorganization efforts currently underway at Eleanor Slater Hospital, including: reducing overtime expenditures, consolidation of medical units, efficiencies in medical service costs, and adjustment to the level of care for a portion of the patients in Long-Term Care Hospital (LTACH).

Within the general revenue savings associated with the reorganization of Eleanor Slater, \$1.1 million is attributed to personnel savings at the hospital in the FY2017. The savings are due to turnover, and administrative duties are partially being outsourced to the Applied Management Service (AMS) contract. AMS is a healthcare management consulting firm contracted by the Department to provide experienced administrative personnel to fill administrative vacancies as well as assist with the hospital reorganization efforts.

Analyst's Note: It is unclear how specifically savings are achieved through reorganization efforts at the Hospital.

Hospital Management Contract (AMS) ***\$290,619***

The Department contract with Applied Management Services (AMS) provides administrative staff to assist the Department in the reorganization and increased operational efficiencies in the hospital system. The contract is extended through FY2017, increasing general revenues expenditures by \$290,619 (\$585,250 all funds).

Hospital License Fee**(\$178,366)**

The Budget reduces general revenue financing for the Hospital Licensing Fee paid by Eleanor Slater Hospital by \$178,366. The reduction in hospital revenues in FY2016 reduced the tax liability in FY2017.

Eleanor Slater Hospital is the public psychiatric hospital operated by BHDDH. The hospital license fee is a provider tax that the State levies to collect revenue from hospitals. In FY2017, the proposed rate is 5.625 percent of hospital revenues.

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 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.

The Division of Behavioral Healthcare Services program is primarily level funded with minor reductions in expenditures related to personnel reductions, saving \$106,398 in general revenue (\$168,449 all funds) in FY2017 as compared to enacted level.

The Budget includes 33.0 FTE positions, a reduction of 2.0 FTE Senior Health Promotion Specialist positions from the enacted level.

Behavioral Healthcare Services	General Revenue
FY2016 Enacted	\$2,368,459
<i>Target and Other Adjustments</i>	<i>13,864</i>
Community Service Objective Grant	(260,148)
Personnel	(106,398)
FY107 Enacted	\$2,015,777

Community Service Objective Grant**(\$260,148)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget eliminates \$260,148 in general revenue for a Community Service Objective grants in the Department.

Personnel**(\$106,398)**

The Budget includes a reduction of \$106,398 for personnel expenditures due to turnover, which equates to approximately 1.0 FTE position.

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 4,100 individuals through state-run programs and community-based providers including those who receive case management services only. The state-run system consists of 24 hour nursing-level facilities, the state group home system, otherwise known as RICLAS (Rhode Island Community Living and Supports) and a private residential provider network. According to The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals in January of 2016, approximately 1,600 individuals are served in residential settings, 283 in Supportive Living Arrangements (SLA) and 1,291 are residing in group home settings. Clients served by DD programs also are served through day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one DD program.

For FY2017, the Budget includes 447.0 FTE positions consistent with FY2016 enacted level.

Services for the Developmentally Disabled	General Revenue
FY2016 Enacted	\$114,123,111
<i>Target and Other Adjustments</i>	<i>(209,299)</i>
Community Supported Employment	7,400,000
Residential Transitions	(2,564,720)
Direct Care Wage Increase	2,500,000
Habilitative Services and Durable Medical Equipment	(900,000)
Support Intensity Scale (SIS) Tier Changes	(697,556)
FY2017 Governor	\$119,651,536

Community Supported Employment **\$7.4 million**

The Budget includes an increase of \$7.4 million in general revenue expenditures (\$14.2 million all funds) in FY2017 to meet the requirements of the Consent Decree. The Consent Decree requires the State to transition from Center Based Supportive programs toward a Community Supportive Employment delivery system for individuals with disabilities. Additionally, the Consent Decree requires the State to reallocate the resources previously used to fund sheltered workshop programs to support the transition to Community and Supportive Employment services.

- The Budget includes an increase of \$4.5 million in general revenue to increase Community and Supportive Employment Services and reduce Center Based programming.
- The Budget includes an increase of \$2.9 in general revenue expenditures in FY2017 to achieve supportive employment targets established by the Consent Decree. These funds are to supplement provider transition costs associated with meeting the requirements of the Consent Decree which are not included in the current provider payment structure.

Analyst's Note: The State was required by the Federal Courts to present information at an evidentiary hearing on April 8, 2016. Following this hearing the Judge issued an order setting short-term deadlines that must be met or the state will be faced with a daily \$5,000 fine as well as payment of \$100 daily to each individual whom is impacted by non-compliance with the required reforms.

In January 2014, the Department of Justice concluded that day services provided by the State to individuals with developmental disabilities have not been provided in the most integrated settings appropriate to their needs; therefore, violated the Americans with Disabilities Act. Findings were centered on sheltered workshops run by the Training Through Placement program and the Harold A. Birch Vocational Program at Mount Pleasant High School. These programs were found to have isolated individuals with developmental disabilities from their non-disabled peers, be institutional in the nature of the settings, characterized by protracted placements, and to result in segregation.

The resultant Consent Decree requires the State to restructure its programs to focus on employment in integrated settings rather than on sheltered workshops and day programs. Supported employment placements are to be typical jobs in the community that pay at least minimum wage and that offer employment for an average of at least 20 hours per week. The State is also required to provide transition services for individuals with developmental disabilities beginning at age 14. Services are to include internships, job site visits, and mentoring, so that upon graduation from high school, students are being prepared for jobs in the community at competitive wages.

The Decree requires significant funding, sustained over a ten year period, and the redirection of funds currently used to support services in segregated settings, to those that incentivize services in integrated settings.

Residential Transitions

(\$2.6 million)

The Budget includes \$2.6 million in general revenue savings (\$6.0 million all funds) by shifting residents from private and State-run group homes to less costly living arrangements known as Shared Living Arrangements (SLA). The Budget reversed \$5.0 million general revenue (\$10.2 million all funds) of the Governor's proposed savings initiatives due to the Departments inability to achieve them.

SLA is a residential option offered through BHDDH for adults with developmental disabilities. This option allows the individual to reside with and receive support from a person living in the community, known as "shared living". The individual providing the shared living arrangement is compensated by a licensed BHDDH provider. The provider conducts extensive personal interviews and ensures the environment and individual is able to offer a safe, compatible living arrangement which complies with BHDDH program regulations. The reimbursement for such an arrangement ranges from \$70 per day to \$109 per day, five to eight times less expensive than residential group home placement.

Direct Care Wage Increase

\$2.5 million

To achieve the Community Based Programming goals in the Consent Decree, a wage increase for direct care workers in the DD system will increase general revenues expenditures by \$2.5 million (\$5.1 million all funds) in FY2017. The wage increase is projected to raise wages for direct care workers by approximately 0.45 cents hourly, raising the average base wage to \$12.00 per hour, less any employee related costs to the employer.

Analyst's Note: The proposed wage increase for the Private DD direct care workers is in addition to the propose wage increase associated with Article 7 for individuals receiving long-term services and supports. Article 7 proposes a wage-pass through program for personal care attendants and home health aides that support individuals living in the community who receive Long-term services and supports.

Habilitative Services and Durable Medical Equipment (DME)

\$900,000

The Budget reduces general revenue expenditures by \$900,000 (\$1.8 million all funds) in FY2017 for habilitative services and durable medical equipment spending for individuals receiving services from the Department. Individuals receiving supports from the Department receive medical coverage from Medicaid, either through fee-for-service or through a Managed Care Organization (MCO). Habilitative services such as home health aides and DME devices are covered Medicaid benefits; therefore, the Department no longer provides funding for these services.

Supports Intensity Scale (SIS) Tier Changes

(\$697,556)

The Budget reduces general revenue by \$697,556 (\$1.4 million all funds) in FY2017 attributable to support intensity scale (SIS) changes. This initiative is intended to assess current beneficiary eligibility determination for DD services and assumes reductions in Tier Level for 96 individuals.

The SIS is a nationally utilized interview process used to measure support needs of an individual with intellectual disabilities in personal, work-related, and social activities. The SIS evaluation process creates

a framework to develop a supportive services plan to match funding sources with identified required needs. The tiers are developed based on the results of the SIS assessment and generate funding allocations that support areas such as: case management, day programming, employment services, transportation, training, home health services, and assisted living supports.

CAPITAL PROJECTS

The Budget includes \$11.1 million in RICAP funds in FY2017, an increase of \$3.2 million over the FY2016 Enacted Budget. Projects include:

- Renovations at BHDDH's administrative buildings totaling \$5.6 million in FY2017, with a total project cost of \$12.8 million.
- Repairs and upgrades to Developmental Disability Group Homes and Development Disability Regional Centers, totaling approximately \$600,000 in FY2017.
- Repairs and upgrades to Mental Health Facilities and Residences totaling \$3.1 million in FY2017.
- Hospital equipment and improvements to the Zambrano and Eleanor Slater Hospital, totaling \$1.7 million in FY2017.

Governor's Commission on Disabilities

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Governor's Commission on Disabilities	\$1,215,102	\$428,524	\$446,427	\$17,903	1.7%	\$685,423	\$256,899	2.8%
Expenditures By Source								
General Revenue	\$355,439	\$383,056	\$381,890	-\$1,166	-0.3%	\$412,547	\$29,491	0.8%
Federal Funds	263,931	35,459	31,647	(3,812)	-40.3%	228,750	193,291	-71.0%
Restricted Receipts	6,633	10,009	32,890	22,881	228.6%	44,126	34,117	340.9%
Operating Transfers from Other Funds	589,099	-	-	-	-	-	-	-
Grand Total	\$1,215,102	\$428,524	\$446,427	\$17,903	1.7%	\$685,423	\$256,899	2.8%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

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

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.

Central Management	General Revenue
FY2016 Enacted	\$383,056
<i>Target and Other Adjustments</i>	3,091
Independent Living Program	26,400
FY2017 Enacted	\$412,547
	Other Fund Changes
Independent Living Program	\$228,750
Help America Vote Act (HAVA)	(\$10,297)
Handicapped Accessibility Access Projects	Informational

Independent Living Program **\$26,400**

The Budget includes \$26,400 in general revenue and \$228,750 in federal funds reflecting the transfer of the administration of the Independent Living Program and the Statewide Independent Living Council from the Department of Human Services Office of Rehabilitation Services to the Commission effective October 1, 2016.

Help America Vote Act (HAVA) Grant (federal funds) **(\$10,297)**

The Budget eliminates \$10,297 for the Help America Vote Act (HAVA) grant. The decrease reflects the full expenditure of these federal funds in FY2016 per the federal requirement to expend all HAVA funds by June 30, 2016. The Commission utilized the HAVA funds to fund accessibility renovations to make polling places accessible to individuals with disabilities and to promote access and participation of individuals with disabilities in elections.

Handicapped Accessibility Capital Projects (RICAP funds) **Informational**

The FY2016 Budget as Enacted consolidated all handicapped accessibility capital projects into the Department of Administration to improve project coordination and oversight; however, the Commission will still maintain a role in determining and prioritizing specific handicapped accessibility projects.

The Budget provides a total of \$7.6 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings. The Budget includes \$1.0 million annually for the fiscal years 2016 through 2021. Expenditures prior to FY2016 total \$1.6 million. This funding was previously included under the Governor's Commission of Disabilities budget, but shifted to the Department of

Administration in FY2016. 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	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Commission on the Deaf and Hard of Hearing	\$430,792	\$491,883	\$539,040	\$47,157	9.6%	\$587,746	\$95,863	19.5%
Expenditures By Source								
General Revenue	\$387,625	\$411,883	\$409,040	(\$2,843)	-0.7%	\$477,746	\$65,863	16.0%
Restricted Receipts	\$43,167	\$80,000	\$130,000	\$50,000	62.5%	\$110,000	\$30,000	37.5%
Total	\$430,792	\$491,883	\$539,040	\$47,157	9.6%	\$587,746	\$95,863	19.5%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	4.0	1.0	33.3%

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and recommends programs and legislation to enhance cooperation and coordination among agencies and organizations that now serve, or have the potential to serve, the deaf and hard of hearing.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes funding in FY2017 for 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. Additionally, restricted receipt funding is increased to fund the installation and upgrade of assistive listening systems in Statehouse public areas.

Deaf and Hard of Hearing	General Revenue
FY2016 Enacted	\$411,883
Target and Other Adjustments	5,553
Interpreter for the Deaf	60,310
FY2017 Enacted	\$477,746

Deaf and Hard of Hearing	Other Funds Changes
Emergency and Public Communications Access Program	\$30,000

Interpreter for the Deaf **\$60,310**

The Budget includes funding for 1.0 FTE Interpreter for the Deaf position for FY2017. The interpreter will provide full-time accessibility for Commission staff and the public. Two Commission staff members are deaf and use American Sign Language, but have access to interpreters for less than 20.0 percent of the work week. The Budget adds \$70,310 in salary and benefit costs for the position, partially offset by \$10,000 in savings from the reduced use of contract interpreter services.

Emergency and Public Communications Access Program (restricted receipts) **\$30,000**

The Emergency and Public Communications Access Program (EPCAP) seeks to improve emergency communication and communication access within state departments, and to support emergency responder training. Annual operations of this program are funded by a transfer of restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Budget increases funding for the EPCAP by \$30,000, to \$110,000 for FY2017. The increased funding will be used to install and upgrade assistive listening systems in the Governor's State Room and public hearing rooms throughout the Statehouse in order to comply with Americans with Disabilities Act accessibility requirements.

Office of the Child Advocate

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Child Advocate	\$660,641	\$717,273	\$714,417	(\$2,856)	-0.4%	\$695,582	(\$21,691)	-3.0%
Expenditures By Source								
General Revenue	\$613,552	\$672,273	\$669,417	(\$2,856)	-0.4%	\$650,582	(\$21,691)	-3.2%
Federal Funds	47,089	45,000	45,000	-	0.0%	145,000	100,000	69.0%
Grand Total	\$660,641	\$717,273	\$714,417	(\$2,856)	-0.4%	\$795,582	\$78,309	9.8%
Authorized FTE Levels	6.0	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 FY2017

The Budget funds the Office of the Child Advocate with \$650,582 in general revenues and maintains 6.0 FTE positions, consistent with FY2016 Enacted Budget. FY2017 shows \$8,062 in general revenue savings associated with reduced salary requirements for the newly appointed Child Advocate coupled with increases in state-wide adjustments. The Enacted Budget increases federal funds by 100,000 for the Child Victims Services, which supports victims of sexual assault, domestic violence, child abuse, and other violent crimes.

Central Management	General Revenue
FY2016 Enacted	\$672,273
<i>Target and Other Adjustments</i>	(21,691)
Child Death Multidisciplinary Review Team	Informational
FY2017 Enacted	\$650,582

Child Death Multidisciplinary Review Team **Informational**

The Child Advocate convened a Child Death Multidisciplinary Review Team on February 17, 2016. The team was convened to investigate fatalities of children in State care and custody following child deaths that came to the attention of the Child Advocate's office at the end of 2015.

The Child Advocate's statute provides authority to convene a Multidisciplinary Review Team when circumstances warrant review. The team will take a comprehensive review of the most recent child fatalities in order to understand how and why the children died and any warning signs or preventative measures that could have been in place. The team issued a final report on March 31, 2016 making 20 specific recommendations to improve the way in which fatal and near fatal incidences are documented and reported to the Office of the Child Advocate, as well as several policy reforms within the Department of Children, Youth, and Families to prevent fatal and near fatal incidences from occurring.

Office of the Mental Health Advocate

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Mental Health Advocate	\$504,149	\$508,251	\$549,419	\$41,168	8.1%	\$542,009	\$33,758	6.6%
Expenditures By Source								
General Revenue	\$504,149	\$508,251	\$549,419	\$41,168	8.1%	\$542,009	\$33,758	6.6%
Authorized FTE Levels	3.7	4.0	4.0	-	0.0%	4.0	-	0.0%

The Office of the Mental Health Advocate (OMHA) ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

MAJOR ISSUES AND TRENDS FOR FY2017

In the FY2016 Budget the Governor proposed consolidating the Office of the Mental Health Advocate into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, and the Office of the Child Advocate). The consolidation proposal was withdrawn by the Governor and was not enacted. Consolidation savings were not restored in the FY2016 Budget. The FY2017 Budget restores those reductions.

The FY2017 Budget includes \$542,009 in funding, entirely general revenues, for the Office. The Budget increases by \$33,758 for FY2017.

Mental Health Advocate	General Revenue
FY2016 Enacted	\$508,251
<i>Target and Other Adjustments</i>	33,758
FY2017 Enacted	\$542,009

Elementary and Secondary Education

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Administration of the Comprehensive Education	\$220.5	\$229.6	\$236.4	\$6.8	3.0%	\$232.2	\$2.6	1.1%
Central Falls	39.0	39.5	39.5	-	0.0%	39.1	(0.4)	-1.1%
Davies Career and Technical School	18.0	18.9	18.2	(0.7)	-3.9%	18.6	(0.4)	-1.9%
School for the Deaf	6.9	7.4	7.1	(0.2)	-3.2%	7.4	0.0	0.6%
Metropolitan Career and Technical School	12.4	13.7	10.4	(3.3)	-24.0%	10.4	(3.3)	-23.8%
Education Aid	778.8	815.6	816.7	1.1	0.1%	867.2	51.5	6.3%
School Construction Aid	68.1	90.9	90.9	-	0.0%	80.0	(10.9)	-12.0%
Teacher Retirement	88.6	92.8	92.8	-	0.0%	99.1	6.3	6.8%
Total	\$1,232.2	\$1,308.5	\$1,312.1	\$3.6	0.3%	\$1,354.0	\$45.5	3.5%
Expenditures By Source								
General Revenue	\$1,002.5	\$1,067.7	\$1,066.1	(\$1.6)	-0.1%	\$1,112.8	\$45.1	4.2%
Federal Funds	197.2	204.0	211.0	7.1	3.5%	206.2	2.3	1.1%
Restricted Receipts	28.6	28.9	30.6	1.6	5.6%	30.2	1.2	4.3%
Other Funds	3.9	7.9	4.4	(3.5)	-44.3%	4.7	(3.2)	-40.1%
Total	\$1,232.2	\$1,308.5	\$1,312.1	\$3.6	0.3%	\$1,354.0	\$45.5	3.5%
Authorized FTE Levels	344.4	337.4	337.4	-	0.0%	325.1	(12.3)	-3.6%

\$ 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.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget fully funds the sixth year of the education funding formula and provides funding for categorical aid accounting for most of the \$45.1 million general revenue increase in FY2017. Other increases include \$500,000 for a new Principal School Leadership program, \$500,000 to provide free SAT and PSAT testing in the schools, and \$6.2 million for teacher retirement. The decrease in other funds is due to changes in Rhode Island Capital Plan (RICAP) expenditures.

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 Budget provides 139.1 FTE positions in FY2017, a decrease of 12.3 FTE positions from the enacted level. In FY2016, the FTE level remains consistent with the enacted level of 151.4.

Administration of the Comprehensive Education	General Revenue
FY2016 Enacted	\$20,661,893
<i>Target and Other Adjustments</i>	<i>160,460</i>
Community Service Grants	(1,289,359)
New Principal School Leadership	500,000
Scholastic Aptitude Test (SAT)	500,000
Computer Science Education Grants	260,000
Eliminate Channel 36 Transition Grant	(200,000)
Eliminate DOJ Consent Decree Monitor	(125,000)
Education Commission of the States	53,100
VM Ware Licensing	34,500
FY2017 Enacted	\$20,555,594

Community Service Grants **(\$1.3 million)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$1.3 million, relative to the FY2016 Budget as Enacted.

New Principal School Leadership **\$500,000**

As part of a strategic focus on building-level innovation and empowerment, \$500,000 is included to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program will build a sustainable model of identifying, developing, and credentialing emerging leaders who will work as members of school leadership teams.

Scholastic Aptitude Test (SAT) **\$500,000**

The Budget includes \$500,000 in general revenue to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. Currently, less than 60.0 percent of Rhode Island high school students take the SAT. The goal is to get 100.0 percent participation rate and to permit high schools to administer the test during the school day. The intent is to start the college conversation with students earlier and to remove barriers to increase college participation rates.

Computer Science Education Grants **\$260,000**

The Budget includes \$260,000 in general revenue to increase access to computer science courses across the State. The Department has not indicated how the program will work or how the funding will be spent.

Eliminate Channel 36 Transition Grant **(\$200,000)**

The Budget eliminates the grant funding for Public Telecommunications Authority (Channel 36). The FY2014 Budget as Enacted removed direct funding for the state Public Telecommunications Authority in FY2014; instead, the budget included 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 final planned year of the transition, the grant was reduced by \$50,000 to \$250,000. In FY2016, the grant was reduced to \$200,000, although the original plan was for the Authority to be self-sufficient by FY2016. The grant is eliminated in FY2017.

Eliminate Department of Justice (DOJ) Consent Decree Monitor ***(\$125,000)***

The FY2016 Budget included \$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 was 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 Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and a local school department. An interim agreement has been entered that settles the case as filed in federal court and requires the State 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.

In FY2015, the expenses for the monitoring were incurred by BHDDH, and future expenses are expected to also be charged through BHDDH. At this time the Department has not been notified to any payments that may be required in FY2016 or FY2017, and the Budget eliminates the funding in FY2016 and FY2017.

Education Commission of the States ***\$53,100***

The Budget includes \$53,100 in general revenue so the State can join the Education Commission of the States. The Education Commission of the States provides education policy research and reports as well as opportunities for collaboration with other member states.

VM Ware Licensing ***\$34,500***

The Budget includes \$34,500 in general revenue to renew licensing fees with VM Ware. The Department had originally requested \$150,000 for a five-year license for a support and maintenance contract to manage 150 virtual servers that is due to expire in FY2017. The license is converted to an annual payment. The annual payment is estimated to trigger a 15.0 percent cost escalation (\$4,500 annually) relative to the five-year contract.

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 since 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 education funding formula. The Budget provides \$39.1 million for the Central Falls School Department in FY2017. This includes the formula distribution as well as \$4.8 million in funding through the Central Falls Stabilization Fund, but not aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

Central Falls	General Revenue
FY2016 Enacted	\$39,520,102
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(1,524,962)
Central Falls Stabilization	1,105,438
FY2017 Enacted	\$39,100,578

Funding Formula Adjustment **(\$1.5 million)**

Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District; however, beginning in FY2012, the district's stat funding has been determined through the new funding formula. In FY2017, the district will receive a reduction of \$1.5 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$90,045 over the previous fiscal year.

Central Falls Stabilization **\$1.1 million**

Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Budget funds this category at \$4.8 million in FY2017, an increase of \$1.1 million from the enacted level.

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Budget provides \$12.6 million in general revenue funding for the Davies Career and Technical School, an increase of \$949,941 from the FY2016 Budget as Enacted. This includes \$1.5 million for the Davies Stabilization Fund. (See Education Aid in the Special Report section of this publication for further detail.)

The Budget includes 126.0 positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Davies Career and Technical School	General Revenue
FY2016 Enacted	\$11,640,152
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(597,104)
Davies Stabilization Fund	1,547,045
FY2017 Enacted	\$12,590,093

Funding Formula Adjustment**(\$597,104)**

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. In FY2017 the Davies School will receive a reduction of \$591,104 in funding formula aid. Instead of being State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$650,000 in FY2017.

Davies Stabilization Fund**\$1.5 million**

Through Article 11, the Budget establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$1.5 million provided in FY2017 includes funding for state retirement expenses, since the teachers at Davies are part of the state system, and to offset the loss in revenues caused by the proposed per-pupil reduction in local tuition rates.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Budget provides \$6.3 million in general revenue funding for FY2017, and 60.0 FTE positions in FY2016 and FY2017 for the program. The funding represents an increase of \$47,154, and the FTE positions are consistent with FY2016 Budget as Enacted. However, the FY2017 Budget requires the School to hold 2.0 FTE positions vacant for the fiscal year, unless other sources of funding become available. As of February 22, 2016, the School has 5.6 vacant FTE positions.

School for the Deaf	General Revenue
FY2016 Enacted	\$6,279,590
<i>Target and Other Adjustments</i>	<i>47,154</i>
FY2017 Enacted	\$6,326,744

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Metropolitan Career and Technical School (Met School) is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Budget provides \$9.3 million in general revenue funding for the Met, a decrease of \$522,418 from the FY2016 Budget as Enacted. This includes \$132,516 for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

Metropolitan Career and Technical School	General Revenue
FY2016 Enacted	\$9,864,425
<i>Target and Other Adjustments</i>	<i>-</i>
Funding Formula Adjustment	(654,934)
Met School Stabilization Fund	132,516
FY2017 Enacted	\$9,342,007

Funding Formula Adjustment**(\$654,934)**

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. In FY2017 the Met School will receive a reduction of \$654,934 in funding formula aid. Sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school contracts for bus service for those students. The total estimated cost to the school is about \$177,000 annually.

Met School Stabilization Fund**\$132,516**

Through Article 11, the Budget establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$132,516 provided in FY2017 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates.

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
FY2016 Enacted	\$796,039,977
<i>Target and Other Adjustments</i>	
Year 6 Funding Formula	-
Categorical Aid	39,436,654
Group Home Aid	10,197,164
Recovery High School	(318,100)
Charter School Growth	500,000
FY2017 Enacted	Informational
	\$845,855,695

Education Aid	Other Funds
Advanced Coursework Network Pilot (Permanent School Fund - restricted receipts)	\$300,000

Year 6 Funding Formula**\$39.4 million**

The FY2017 Budget includes an additional \$39.4 million to fund the sixth year of the funding formula, for a total of \$815.2 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. This does include \$2.6 million to provide the fully-transitioned value of formula aid for student FTE positions converted to full-time kindergarten for districts that implemented a full-day program in the 2014-2015 school year or after. In FY2016, the Full-Day Kindergarten Accessibility Act was amended to require that all districts provide full-day kindergarten by August 2016. Since the implementation of the funding formula, charter schools that add classrooms have been given the fully-transitioned value for those students.

The funding for sixth 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 \$36.7 million. The remaining difference is due to the decrease in funding to Central Falls (\$1.5 million), Davies (\$597,104), and the Met (\$654,934) in FY2017 relative to the FY2016 enacted level.

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$8,979 in FY2017) 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, (\$3,592 in FY2017) 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.

Article 11 of the Budget changes the threshold for the high-need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (See Education Aid in the Special Report section of this publication.)

Categorical Funds

\$10.2 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. In Article 11, the FY2017 Budget adds two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

FY2017 Categorical Education Aid		
Categorical	Change from	Total Funding
Transportation	\$2.0	\$6.4
High-Cost Special Education	2.0	4.5
Career & Technical Education	1.0	4.5
English Learners	2.5	2.5
Density Fund - Choice Schools	1.5	1.5
Early Childhood	1.2	5.2
Regionalization Bonus	-	-
Total	\$10.2	\$24.5

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

The FY2017 Budget includes funding for all of these categories.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.4 million in FY2017, an increase of \$2.0 million from the previous year.
- **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 \$62,853

for FY2017). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted.

Through Article 11, the Budget requires the Department to collect data on those educational costs that exceed four times the core foundation amount. The Governor's Fair Funding Formula Working Group recommended adjusting the threshold for the high-cost special education categorical to broaden district and school reimbursement eligibility.

- **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 Budget funds this category at \$4.5 million in FY2017, an increase of \$1.0 million over the previous year.

Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Through Article 11, the Budget empowers the Department to develop the criteria for the distribution of funds.

- **English Learners:** Through Article 11, the Budget establishes a categorical fund for English Learners (EL). The fund provides a 10.0 percent weight on the per-pupil core instruction amount for each English learner identified by standards and assessments identified by the Commissioner. The article restricts the funds to provide new services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner. The article requires the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funds align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.

The Governor's Fair Funding Formula Working Group recommended providing additional support for English Language Learners to improve education outcomes.

- **Public School of Choice Density Aid:** Through Article 11, the Budget establishes as new category of state aid for districts where 5.0 percent of more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The Budget includes \$1.5 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$5.2 million in FY2017, an

increase of \$1.2 million over the FY2016 Budget as Enacted. The additional funds are needed as a match to the federal Pre-Kindergarten Expansion grant (\$5.7 million).

- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2017, the sixth year of funding for the regionalized districts, since no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Recovery High School

\$500,000

The Budget provides \$500,000 for the State's recovery high school, the Anchor Learning Academy. This school is management by Providence Center and has a maximum capacity of 20 students. The purpose of a recovery high school to provide an individualized program to students recovering from substance abuse to support in achieving personal recovery and academic goals.

Group Homes

(\$318,100)

The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and providing \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11, the FY2017 Budget increases the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which increase by \$4,000 for a total of \$26,000 per bed. The Budget includes an additional \$828,000 in Group Home Aid in FY2017 to provide the increase in per-bed aid.

The FY2017 Budget includes \$4.8 million to fund group home beds. This is \$318,100 less than the FY2016 Budget as Enacted, and represents a decrease of 35 beds (7.8 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.

Charter School Growth

Informational

The Budget FY2017 budget includes \$75.3 million for public charter schools, an increase of \$7.8 million from the FY2016 Budget as Enacted. The FY2017 Budget includes approximately \$4.0 million for the following charter school growth to the transition of reduction of students in the sending districts:

- Achievement First, which is located in Providence and enrolls 518 students from Cranston, North Providence, Providence and Warwick, will add a fourth grade, and a second grade (160 new students).
- Beacon Charter High School for the Arts, Founders Academy, which is located in Woonsocket and enrolls 276 from around the State, will add a seventh grade to the middle school established in FY2016 (45 new students).
- Blackstone Academy, which is located in Pawtucket and enrolls 255 students from Central Falls, Pawtucket, and Providence, will expand its capacity within the current high School model (50 new students).

- Highlander, which is located in Providence and enrolls 468 students, will add a 12th grade (64 new students).
- Hope Academy, which is located in Providence and enrolls 72 students from North Providence and Providence, will add a second grade (36 new students).
- Nowell Academy, which is currently located in Providence and enrolls 160 high schools students, will add a site in Warwick (36 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,394 students, will add a first, fifth, and eleventh grade (322 new students).
- RISE Mayoral Academy, which is currently located in Woonsocket and enrolls 65 students from Woonsocket, North Smithfield, and Burrillville, will add a first grade (40 new students).
- Southside Elementary, which is located in Providence and enrolls 48 students from Providence, will add a second grade (24 new students).
- Times2 Academy, which is located in Providence and enrolls 685 students from Providence, will expand (42 students).

Advanced Coursework Network Pilot (Permanent School Fund – restricted receipts) \$300,000

The Advanced Coursework Network offers advanced coursework options for Rhode Island students with the goal of expanding access to opportunities that promote college and career readiness while enrolled at their public school. The Advanced Coursework Network is made up of Network Members, schools and districts that voluntarily chooses to extend the Advanced Coursework Network opportunities to students, and Network Providers (school districts, Rhode Island based community based organizations or higher education institutions) that extends advanced coursework opportunities to Rhode Island students. Course offerings include advanced math and science, world languages, dual/concurrent enrollment, and career preparation coursework that results in the attainment of an industry-recognized certificate or credential.

The Budget includes \$300,000 in Permanent School Fund restricted receipts to fund the pilot year of the new program in FY2017. The permanent school fund received fees paid by auctioneers and can only be used for the promotion and support of public education. Previously the fund was used to make mini-grants to support turnaround expenses at priority schools through the federal No Child Left Behind program. Over the last five fiscal years, the fund has collected \$288,000 annually.

SCHOOL CONSTRUCTION AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2017, the minimum state share is 35.0 percent for school districts and the maximum is 96.0 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. Article 22 of the FY2015 Budget extends the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State’s reimbursement rate on interest, and provide incentives for districts to re-finance bonds.

School Bond Refinancing Incentive Estimated Savings Summary			
Municipality	Local Savings	State Savings	Total Savings
Burriville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2017, the budget provides \$80.0 million, a reduction of \$10.9 million from the FY2016 Budget as Enacted. For FY2016, the Department projects expenditures of \$66.8 million in school housing aid, a decrease of \$4.1 million from the FY2016 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Construction Aid	General Revenue
FY2016 Enacted	\$90,907,110
<i>Target and Other Adjustments</i>	-
School Building Authority Fund	(10,907,110)
FY2017 Enacted	\$80,000,000

School Building Authority Capital Fund **(\$10.9 million)**

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State’s School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school

building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2017, the budget provides \$9.1 million in general revenue to capitalize the Capital Fund, a decrease of \$10.9 million from the FY2016 budget as Enacted.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2016 Enacted	\$92,805,836
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	0
Defined Contribution Plan	6,225,432
FY2017 Enacted	\$99,076,582

Defined Benefit Plan

\$6.2 million

The Budget provides total funding of \$95.2 million for the state's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$6.2 million from FY2016 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund. For teachers the State pays 40.0 percent of the employer contribution.

Defined Contribution Plan

\$45,314

The Budget provides \$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 \$45,314 from FY2016 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contributions. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Budget includes a total of \$4.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2016 and \$4.1 million in FY2017, including:

- \$3.0 million in FY2016 and \$2.3 million in FY2017 for capital repairs at two career and technical schools (Warwick, and Woonsocket).
- \$450,064 in FY2016 and \$1.0 million in FY2017 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.
- \$500,000 in FY2017 to replace and repair the HVAC system at the Davies Career and Technical School.

Public Higher Education

Expenditures By Program	FY2015 Actual	FY2016	FY2016	Change from		FY2017	Change from	
		Enacted	Revised	Enacted		Enacted	Enacted	
Office of Postsecondary Commissioner	\$10.6	\$28.3	\$29.6	\$1.3	4.8%	\$30.4	\$2.1	7.3%
University of Rhode Island	733.9	720.7	757.4	36.7	5.1%	777.3	56.6	7.9%
Rhode Island College	175.1	179.0	177.3	(1.7)	-0.9%	186.7	7.6	4.3%
Community College of R.I.	156.1	162.2	159.6	(2.5)	-1.6%	167.0	4.8	3.0%
Total	\$1,075.7	\$1,090.2	\$1,124.0	\$33.9	3.1%	\$1,161.3	\$71.1	6.5%
Expenditures By Source								
General Revenue	\$188.2	\$196.3	\$181.0	(\$15.3)	-7.8%	\$196.4	\$3.2	1.6%
Federal Funds	4.5	15.1	16.0	0.3	2.3%	14.3	(0.8)	-5.2%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	1.0	0.0	1.2%
Other Funds	854.0	878.1	926.3	48.2	5.5%	949.6	66.5	7.6%
Total	\$1,047.4	\$1,090.2	\$1,124.0	\$33.9	3.1%	\$1,161.3	\$71.1	6.5%
Third Party Funded FTE	642.9	745.8	745.8	-	0.0%	745.8	-	0.0%
Authorized FTE Levels	3,604.1	3,513.4	3,513.4	-	0.0%	3,551.0	37.6	1.1%
Total	4,247.0	4,259.2	4,259.2	-	0.0%	4,296.8	37.6	0.9%

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted established the Council on Postsecondary Education, which has duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

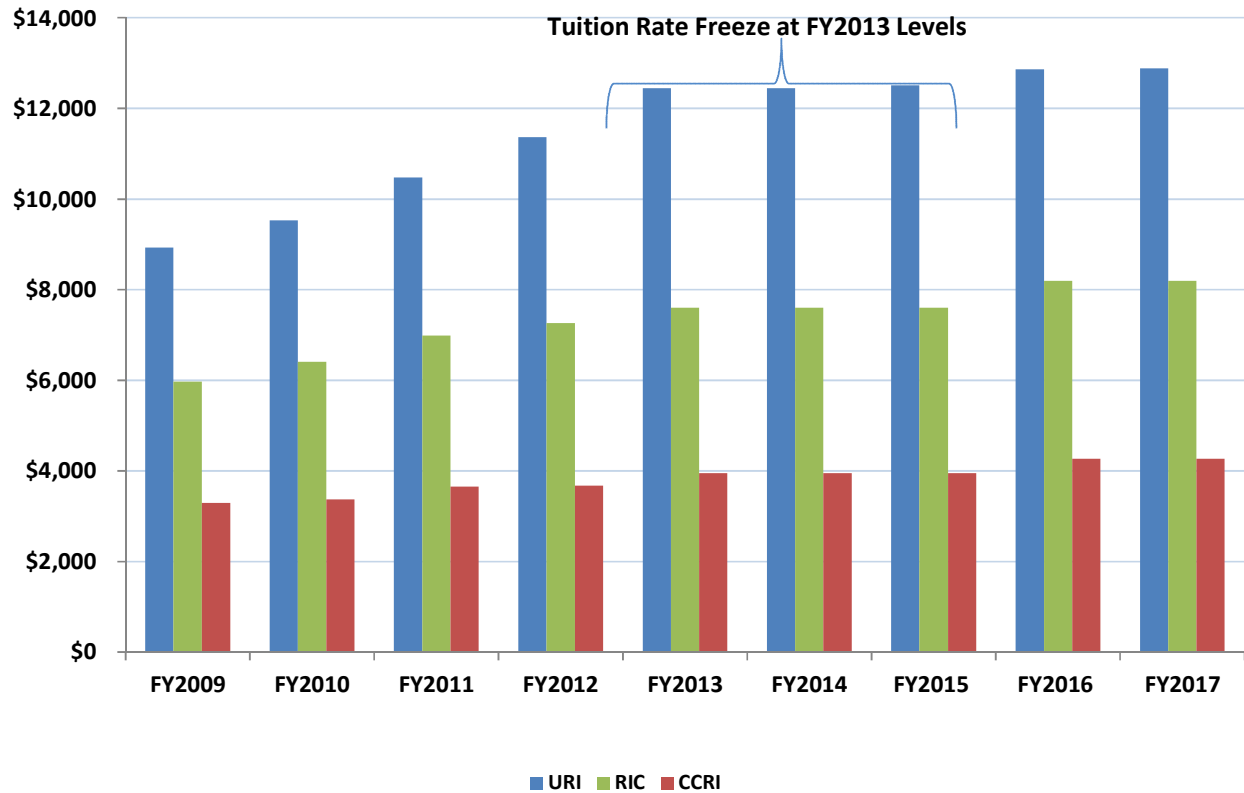
MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 Budget includes total funding of \$1,161.3 million, representing an increase of \$71.1 million (6.5 percent) over the FY2016 Budget as Enacted, including a general revenue increase of \$3.2 million (1.6 percent).

In FY2016, tuition increased at all three schools for the first time in three years. In FY2017, the Budget intends for the tuitions to be maintained at the FY2016 level. The institutions are required to maintain internal student aid at the 2015/2016 academic-year level. The Budget requires the president of each institution to report to Chair of the Council of Postsecondary Education, prior to the commencement of the 2016/2017 academic year, that the student aid levels have been maintained.

Actual tuition and fee rates, by institution, along with a projection for FY2016 and FY2017, are shown in the graph below.

In-State Undergraduate Tuition & Fees



URI	FY2013	FY2014	FY2015	FY2016	FY2017 ¹	Change from	
						FY2016	% Change
In-State Tuition	\$10,878	\$10,878	\$10,878	\$11,128	\$11,128	\$0	0.0%
Out-of-State Tuition	26,444	26,444	26,444	27,118	27,118	-	0.0%
Mandatory Fees	1,572	1,572	1,628	1,734	1,756	22	1.4%
Tuition & Fee Revenue	264,180,165	265,448,401	278,399,179	286,270,413	293,751,712	7,481,299	2.7%
RIC							
In-State Tuition	\$6,530	\$6,530	\$6,530	\$7,118	\$7,118	\$0	0.0%
Out-of-State Tuition	17,228	17,228	17,228	18,779	18,779	-	0.0%
Mandatory Fees	1,068	1,072	1,072	1,079	1,079	-	0.0%
Tuition & Fee Revenue	65,553,238	66,058,085	66,087,375	70,261,112	70,019,183	(241,929)	-0.4%
CCRI							
In-State Tuition	\$3,624	\$3,624	\$3,624	\$3,950	\$3,950	\$0	0.0%
Out-of-State Tuition	10,256	10,256	10,256	11,180	11,180	-	0.0%
Mandatory Fees	326	326	326	316	316	-	0.0%
Tuition & Fee Revenue	54,426,909	53,028,803	51,694,330	56,699,890	55,805,064	(894,826)	-1.7%

¹ The increase for URI includes \$4.7 million for on-line program revenue.

URI College of Engineering Phase II– General Obligation Bond Referendum

The Budget includes a \$25.5 million bond referendum to renovate and construct an addition to Bliss Hall on the Kingston Campus, as the second phase of the Engineering School project. The project will upgrade building systems, improve classroom space, modernize teaching laboratories, and provide advanced research facilities, as well as the addition to Bliss Hall. In 2014, a \$125.0 million bond referendum was approved by voters to begin a comprehensive overhaul of physical space dedicated to engineering programs at URI. The 2014 bond provided for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall.

General Obligation Debt Service

The Budget provides for the restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The Budget includes \$17.4 million in general revenue for general obligation debt service in Post-Secondary Education in FY2017 and \$10.4 million in FY2016. This is a decrease of \$14.6 million and \$7.6 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Revised	FY2017 Enacted	FY2016 Revised	FY2017 Enacted	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
General Revenue	\$5.5	\$5.8	\$5.8	(\$0.0)	-0.2%	\$6.3	\$0.5	8.3%
Federal Funds	4.5	15.1	16.0	0.9	6.3%	14.3	(0.8)	-5.2%
Restricted Receipts	-	-	-	-	0.0%	0.4	0.4	n/a
Other Funds	-	7.4	7.8	0.4	5.5%	9.4	2.0	27.0%
Total	\$10.0	\$28.3	\$29.6	\$1.3	4.8%	\$30.4	\$2.1	7.3%

The Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, houses the Commissioner of Higher Education, two 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 FY2016 Budget as Enacted created a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner and eliminated the Rhode Island Higher Education Assistance Authority.

The Budget provides 27.0 FTE positions for the OPC in FY2017, including 1.0 FTE that is third-party funded. This represents an increase of 2.0 FTE positions, from the FY2016 budget as Enacted. The increase is the net of 3.0 new FTE positions to provide operations and management staff for the new Westerly Higher Education and Job Skills Center, including an Executive Director, a Marketing Director, and an Operations Coordinator, partially offset by the transfer of 1.0 FTE audit position to the new Office of Internal Audit. The transfer of the position part of the initiative to standardize audit functions across executive agencies by consolidating the functions and merging personnel from the Bureau of Audits and similar units in the Departments of Transportation, Human Services, and Higher Education into the Office

of Internal Audit within the Office of Management and Budget. The Budget also includes \$361,925 in restricted receipts from the Center's operations to fund the new positions.

Office of Postsecondary Commissioner	General Revenue
FY2016 Enacted	\$5,815,323
<i>Target and Other Adjustments</i>	64,441
Westerly Higher Education and Job Skills Center	750,000
Community Service Grants	(331,357)
FY2017 Enacted	\$6,298,407

Westerly Higher Education and Job Skills Center (3.0 FTE positions) \$750,000

The Budget includes \$750,000 in general revenue (\$3.1 million in all funds) for the Westerly Higher Education and Job Skills Center. The general revenue provides the state contribution toward the construction of the building. The Budget also includes \$2.0 million in RICAP funds for leasehold improvements and furnishings and \$361,925 in restricted receipts for 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The restricted receipts will come from an occupancy fee charged for the use of the facility. The Council on Postsecondary Education and the Office of the Postsecondary Commissioner will enter into a memorandum of understanding with parties associated with a new educational facility being built in Westerly. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center will be managed through the Office of the Postsecondary Commissioner.

Community Service Grants (\$331,357)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$331,357, relative to the FY2016 Budget as Enacted.

UNIVERSITY OF RHODE ISLAND

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$89.1	\$90.6	\$80.7	(\$9.9)	-10.9%	\$89.9	(\$0.8)	-0.9%
Other Funds	632.0	630.0	676.7	46.7	7.4%	687.4	57.4	9.1%
Total	\$721.1	\$720.7	\$757.4	\$36.7	5.1%	\$777.3	\$56.6	7.9%

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research

program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has three campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; and the Providence Campus, located in the Shepard Building on Washington Street in Providence. The Budget includes 2,489.5 FTE positions in FY2017, including 573.8 third-party funded FTE positions, an increase of 33.0 FTE professor and advisor positions. In FY2016, the Budget provides 2,456.5 FTE positions in including 573.8 third-party funded FTE positions, consistent with the enacted level.

University of Rhode Island	General Revenue
FY2016 Enacted	\$90,644,246
<i>Target and Other Adjustments</i>	
General Obligation Debt Service	(4,019)
Personnel/New Professors/COLA	(5,003,339)
Scholarships and Loans	4,120,882
Community Service Grants	200,473
Institute of Coastal Adaptation and Resiliency	(187,945)
Enrollment	100,000
FY2017 Enacted	Informational
	\$89,870,298

General Obligation Debt Service **(\$5.0 million)**

The Governor proposes restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The Budget includes \$13.2 million for general obligation debt service at URI funded by general revenue in FY2017 and \$8.5 million in FY2016. This is a decrease of \$5.0 million and \$9.7 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Revised	FY2017 Enacted	FY2016 Revised	FY2017 Enacted	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

Personnel/New Professors/COLA **\$4.1 million**

The FY2017 Budget includes an increase of \$4.1 million for personnel costs funded by general revenue. The increase includes \$3.1 million intended to assist in avoiding a tuition increase; \$1.0 million for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic and some administrative personnel due to contract negotiations; and, \$71,868 for Crime Lab personnel to fully fund the 9.0 FTE positions in the office.

Scholarships and Loans **\$200,473**

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

Community Service Grants**(\$187,945)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$187,945, relative to the FY2016 Budget as Enacted.

Institute of Coastal Adaptation and Resiliency**\$100,000**

The Budget provides \$100,000 to show the State's commitment to the formation of an Institute of Coastal Adaptation and Resiliency at the Graduate School of Oceanography. This institute would be created in partnership with the federal National Oceanic Atmospheric Agency to assist shoreline communities in managing and preparing for sea-level rise, extreme weather events, and fishery changes related to climate change. These funds will position the University to apply for federal funding.

Enrollment**Informational**

Instate enrollment is projected to be 7,823 full-time equivalent students in FY2017 a decrease of 99 students, or 1.2 percent; while out-of-state students are projected at 6,723 students, an increase of 126 students, or 1.9 percent. As the University has raised its tuition once in the last 4 years (in FY2016), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue.

URI	FY2013	FY2014	FY2015	FY2016	FY2017	Change	% Change
				Projected	Projected		
Instate	8,498	8,254	8,045	7,922	7,823	(99)	-1.2%
Out-of-State	5,958	6,089	6,606	6,597	6,723	126	1.9%
Total FTE Enrollment	14,456	14,343	14,651	14,519	14,546	27	0.2%

RHODE ISLAND COLLEGE (RIC)

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$46.2	\$50.2	\$46.2	(\$4.0)	-8.0%	\$49.6	(\$0.6)	-1.3%
Other Funds	117.4	128.8	131.1	2.3	1.8%	137.1	8.3	6.4%
Total	\$163.6	\$179.0	\$177.3	(\$1.7)	-0.9%	\$186.7	\$7.6	4.3%

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor's and Master's level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Association of Schools and Colleges, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

The Budget includes 926.2 FTE positions in FY2017, including 82.0 third-party funded FTE positions, an increase of 2.6 FTE professor and advisor positions. In FY2016, the Budget provides 923.6 FTE positions in including 82.0 third-party funded FTE positions, consistent with the enacted level.

Rhode Island College	General Revenue
FY2016 Enacted	\$50,203,011
<i>Target and Other Adjustments</i>	249,342
General Obligation Debt Service	(2,649,395)
Personnel/New Professors/COLA	1,508,153
Scholarships and Loans	200,473
General Operating Support	50,000
Enrollment	Informational
FY2017 Enacted	\$49,561,584

General Obligation Debt Service **(\$2.6 million)**

The Budget includes restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The Budget provides \$1.4 million in FY2016 for general obligation debt service at RIC funded by general revenue and \$2.6 million in FY2017. This is a decrease of \$3.8 million and \$2.6 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Revised	FY2017 Enacted	FY2016 Revised	FY2017 Enacted	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

Personnel **\$1.5 million**

The FY2017 Budget provides an increase of \$1.5 million for personnel costs funded by general revenue. The increase includes \$1.0 million intended to assist in avoiding a tuition increase, and \$559,279 for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic, and some administrative personnel due to contract negotiations.

Scholarships and Loans **\$200,473**

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

General Operating Support **\$50,000**

The Budget provides an additional \$50,000 over the FY2016 Budget as Enacted for general operating support.

Enrollment **Informational**

Total enrollment is projected to be 6,888 full-time equivalent students in FY2017 a decrease of 47 students. Relative to FY2013, out-of-state enrollment is projected to increase by 31.8 percent. As the University has raised its tuition once in the last 4 years (in FY2016), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue; however, both are projected to decrease in FY2017.

RIC	FY2013	FY2014	FY2015	FY2016	FY2017	Change	% Change
				Projected	Projected		
Instate	6,010	5,958	5,916	5,860	5,834	(26)	-0.4%
Out-of-State	800	867	1,098	1,075	1,054	(21)	-2.0%
Total FTE Enrollment	6,810	6,825	7,014	6,935	6,888	(47)	-0.7%

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
General Revenue	\$47.5	\$49.6	\$48.3	(\$1.4)	-2.8%	\$50.6	\$1.0	2.0%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.7	0.0	1.2%
Other Funds	104.5	111.9	110.7	(1.1)	-1.0%	115.7	3.8	3.4%
Total	\$152.6	\$162.2	\$159.6	(\$2.5)	-1.6%	\$167.0	\$4.8	3.0%

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Shepard Building in downtown Providence and at Westerly Middle School.

The Budget includes 854.1 FTE positions in FY2017 and FY2016, including 573.8 third-party funded FTE positions, consistent with the enacted level.

Community College of Rhode Island	General Revenue
FY2016 Enacted	\$49,642,376
<i>Target and Other Adjustments</i>	15,023
3.0 Percent COLA	769,367
Scholarships and Loans	200,473
Enrollment	Informational
FY2017 Enacted	\$50,627,239

3.0 Percent COLA **\$769,367**

The Budget includes \$769,367 in general revenue funding for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic and some administrative personnel due to contract negotiations.

Scholarships and Loans **\$200,473**

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

Enrollment **Informational**

The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2015, and a projection for 2016 and 2017. Enrollment is projected to decrease by 18.0 full-time equivalent students, or 0.2 percent.

CCRI Student Enrollment, 2007-2017 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	17,226	-1.4%	10,523	-2.3%
2012	17,541	1.8%	10,591	0.6%
2013	17,351	-1.1%	10,433	-1.5%
2014	17,017	-1.9%	10,141	-2.8%
2015	16,718	-1.8%	9,882	-2.6%
2016 Projected	16,718	0.0%	9,882	0.0%
2017 Projected	16,413	-1.8%	9,864	-0.2%
9-Year Average	16,916	1.0%	10,263	0.8%

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 FY2017.

URI, RIC, CCRI – Asset Protection: Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. The Budget includes a total of \$21.9 million in asset protection funding for URI, RIC, and CCRI in FY2017 and \$15.1 million in FY2016. In FY2017, this amount includes \$8.2 million in additional RICAP asset protection funding for URI (\$5.7 million), RIC (\$2.0 million), and CCRI (\$548,000) intended to unencumber resources that can be used in lieu of raising tuition or increasing general revenue support.

CCRI Knight Campus Renewal: The Budget includes \$2.2 million in RICAP funding in FY2016 and \$4.0 million in FY2017 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile. Total project costs are estimated at \$23.2 million, including \$20.1 million in RICAP funds, \$3.0 million in other funds, and \$92,868 in college funds, from FY2015 through FY2020.

RIC Infrastructure Modernization: The Budget provides \$3.0 million in RICAP fund in FY2017 and \$3.1 million in FY2016 to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. Total RICAP funding for the project is \$29.1 million through FY2021.

CCRI Westerly Campus: The Budget includes \$2.0 million in RICAP funding in FY2017 as the State's contribution toward a public-private partnership to repurpose and educational facility in Westerly to provide classroom and laboratory space for a new collaborative program with local industries. The funding will help develop specialized work areas for industrial education such as metal working.

Rhode Island State Council on the Arts

Expenditures By Program	FY2015	FY2016	FY2016			FY2017		
	Actual	Enacted	Revised	Change from Enacted		Enacted	Change from Enacted	
Central Management	1,918,412	2,952,124	2,454,800	(\$497,324)	-16.8%	1,865,538	(\$1,086,586)	-36.8%
Grants Programs	1,054,574	1,084,574	1,069,386	(15,188)	(0.0)	1,165,000	80,426	0.1
Total	\$2,972,986	\$4,036,698	\$3,524,186	(\$512,512)	-12.7%	\$3,030,538	(\$1,006,160)	-24.9%

Expenditures By Source								
General Revenue	\$1,490,966	\$1,863,052	\$1,844,590	(\$18,462)	-1.0%	\$1,951,884	\$88,832	4.8%
Federal Funds	713,200	775,353	774,296	(1,057)	-0.1%	775,454	101	0.0%
Operating Transfers from Other Funds	183,075	1,398,293	905,300	(492,993)	-35.3%	303,200	(1,095,093)	-78.3%
Total	\$2,387,241	\$4,036,698	\$3,524,186	(\$512,512)	-12.7%	\$3,030,538	(\$1,006,160)	-24.9%

Authorized FTE Levels	6.0	8.6	8.6	-	-	8.6	-	-
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\$ in millions. Totals may vary due to rounding.

The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

The Budget includes 8.6 FTE positions for FY2016 and 8.6 FTE positions in FY2017, level with the FY2016 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2016 Enacted	\$1,863,052
<i>Target and Other Adjustments</i>	8,406
Community Service Grants	80,426
Cultural Arts and the Economy	Informational
Percent for the Arts	Informational
FY2017 Enacted	\$1,951,884

Community Service Grants **\$80,426**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are increased by \$80,426, relative to the FY2016 Budget as Enacted, and include a pool of \$200,000.

Cultural Arts and the Economy **Informational**

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. RISCA, in consultation with Rhode Island Commerce Corporation, administers this new program. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to certain arts organizations that were named in voter referendum, for facility improvement, preservation and renovation.

Cultural Arts and the Economy	Location	Project	Grant
Trinity Repertory Company	Providence	Renovate Lederer Theater and Pell Chafee Center	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	Complete Carter Center	2.4
Newport Performing Arts Center	Newport	Restore Newport Opera House	4.2
WaterFire Providence	Providence	Develop Warehouse into Multi-use Arts Center	3.2
Westerly Land Trust/United Theater	Westerly	Restore United Theater	2.4
Stadium Theater	Woonsocket	Restore Stadium Realty Building	2.1
AS220	Providence	Improve Empire St., Performing Arts/Gallery Buildings	2.1
Chorus of Westerly	Westerly	Renovate Kent Hall	1.1
2nd Story Theater	Warren	Renovate Market and Liberty Street Buildings	1.1
Total Projects			\$23.1
Pool Fund			6.9
Total			\$30.0

\$ in millions

The remaining \$6.9 million are a pool of matching funds awarded by RISCA to non-profit cultural organizations through a three-year competitive grant program for capital improvements to both owned and leased facilities. RISCA has established rules and regulations for the program and intends to begin disbursement of funds to the named organizations in January 2016. Additional applications for the remaining pool funds will be reviewed on October 1, 2016, and again in 2017. Awards from this fund will be announced in the January following the application deadline. The following table shows the grants awarded in the first round.

Organization	Town	Award Amount
Barrington Public Library	Barrington	\$10,000
Blackstone River Theatre	Cumberland	97,000
The Greenwich Odeum	East Greenwich	250,000
East Providence Historical Society Educational Center	East Providence	28,000
R.I. Philharmonic Orchestra & Music School	East Providence	250,000
Jamestown Arts Center	Jamestown	58,000
Dirt Palace	Providence	23,500
Educational Center for the Arts & Sciences	Providence	3,000
Everett	Providence	50,000
Governor Henry Lippitt House Museum	Providence	56,000
HeadsUp, Inc. for Mathewson St. Black Box Theatre	Providence	50,000
Museum of Art, Rhode Island School of Design	Providence	250,000
New Urban Arts	Providence	250,000
ONE Neighborhood Builders for Paragon Performance Space	Providence	250,000
Providence Performing Arts Center	Providence	50,000
Southside Cultural Center	Providence	300,000
The Music Mansion	Providence	50,000
The Players	Providence	100,000
The Steel Yard	Providence	92,650
The Wilbury Theatre Group	Providence	25,000
The Contemporary Theater Company	South Kingstown	100,000
Granite Theatre	Westerly	33,269
Total		\$2,376,419

RISCA has entered into an agreement with the Rhode Island College and University Based Research Collaborative to develop a set of metrics designed to measure the State's return on investment and the contributions of this program to the economy of the State. The FY2016 budget includes \$15.0 million in bond revenues for the program, an increase of \$10.0 million relative to the Budget as Enacted. \$8.0 million is provided in FY2017.

Percent for the Arts Program**Informational**

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

1% for Public Art Program - 2011 to Present	Location	Art Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
Intermodal Station	Warwick	300,000
Met School	Providence	78,000
<i>Current Projects (Budget)</i>		
Wickford Junction	Wickford	350,000
URI - Center for Chemical and Forensic Sciences (<i>previously, Biotechnology and Life Sciences</i>)	Kingston	458,000
Rhode Island College - Art Center	Providence	170,000
Veterans Home	Bristol	210,000
Virks Building	Cranston	120,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Rhode Island College, Gaije Lee Hall	Providence	360,000
Total		\$3,544,020

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2015 Actual	FY2016	FY2016	Change from Enacted		FY2017	Change from Enacted	
		Enacted	Revised			Enacted		
Atomic Energy Commission	\$1,187,852	\$1,337,169	\$1,621,976	\$284,807	21.3%	\$1,333,049	(\$4,120)	-0.3%
Expenditures By Source								
General Revenue	\$872,139	\$957,170	\$936,450	(\$20,720)	-2.2%	\$981,100	\$23,930	2.5%
Federal Funds	89	54,699	343,441	\$288,742	527.9%	32,422	(\$22,277)	-40.7%
Operating Transfers from Other Funds	315,624	325,300	342,085	\$16,785	5.2%	319,527	(\$5,773)	-1.8%
Total	\$1,187,852	\$1,337,169	\$1,621,976	\$284,807	21.3%	\$1,333,049	(\$4,120)	-0.3%
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	-	0.0%

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

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, as well as 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; a nuclear engineer operating course has been added that prepares students for the license exam. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes, and URI mechanical design students are among those that have recently utilized the facility.

MAJOR ISSUES AND TRENDS FOR FY2016 AND FY2017

The \$284,807 increase in all funds in the FY2016 Revised Budget is due primarily to a United States Department of Energy grant shift from FY2015 into FY2016 for the purchase of new radiation monitoring instrumentation that was delayed. There is currently only one monitor in the facility; this grant will fund the replacement of this monitor as well as place additional instruments to monitor the air at different locations around the facility, particularly in locations where experiments with radioactive materials are conducted. The Commission was waiting for the last two instruments to be fabricated.

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'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 NRC reports that it plans to have all reactors relicensed by December 2016.

The Budget authorizes 8.6 FTE positions in FY2017 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.

Central Management	General Revenue
FY2016 Enacted	\$957,170
<i>Target and Other Adjustments</i>	<i>23,930</i>
FY2017 Enacted	\$981,100

CAPITAL PROJECTS

The Budget includes \$78,931 in RICAP-funded asset protection projects for FY2016, including a carry forward of \$28,931, and \$50,000 annually thereafter. Projects include driveway and landscaping

improvements in order to assure access to the cooling towers and emergency generator propane tanks. The Commission also plans to install a gravity-fed sewer system and refurbish basement laboratories.

Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Historical Preservation & Heritage Commission	\$5.4	\$4.0	\$4.1	\$0.1	2.7%	\$2.8	(\$1.2)	-41.1%
Expenditures By Source								
General Revenue	\$1.1	\$1.4	\$1.4	\$0.0	3.6%	\$1.2	(0.2)	-14.8%
Federal Funds	1.9	2.1	2.0	(0.1)	-3.4%	1.1	(0.9)	-47.3%
Restricted Receipts	0.4	0.4	0.4	(0.0)	-0.3%	0.4	-	-0.3%
Other Funds	2.1	0.1	0.2	0.1	179.4%	0.1	(0.1)	11.6%
Total	\$5.4	\$4.0	\$4.1	\$0.1	2.7%	\$2.8	(\$1.2)	-41.1%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

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

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions.

The Budget authorizes 16.6 FTE positions for FY2017, unchanged from enacted level.

MAJOR ISSUES AND TRENDS

The Enacted Budget includes \$1.2 million in general revenue (\$2.8 million all funds) in FY2017, representing a general revenue decrease of \$178,413 (\$1.1 million all funds) relative to the FY2016 Budget as Enacted.

The notable decrease in the budget is associated with the reduction of federally funded grants. The largest federal grant reduction, representing a loss of \$903,503, was associated with the completion of work related to the Hurricane Sandy Disaster Relief Grant. Additional federal grant expirations combined total, \$78,924, resulting in a total decrease of \$981,427 in federal funds in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$1,380,972
<i>Target and Other Adjustments</i>	192,241
Community Service Objective Grants	(171,301)
Personnel Savings	(28,052)
Federal Grant Reduction	Informational
State Preservation Grant Program	Informational
FY2017 Governor	\$1,373,860
Community Service Objective Grants	(\$171,301)

The FY2017 Budget includes significant changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The Chairs of the House and Senate Finance Committees sent a joint letter to agencies noting the grant awardees, and amounts of the awards. The State agencies then managed the application, award, and reconciliation processes for the grants.

Beginning in the FY2017 Budget, the CSO program will be administered differently. The program now consists to two components: line-item grant awards, and pooled grants. As a result of this change, the Commission saw a reduction of \$171,301 in funding in FY2017 for issuance of CSO grants.

Personnel Savings

(\$28,052)

The Budget includes personnel savings of \$28,052 in general revenue (\$79,238 all funds). This reduction corrects misstated personnel allocations and adjusts for medical benefits. The Budget did not reduce the FTE authorizations; however, according to the Commission, reduced funding for personnel will require the Commission to reduce staffing by 1.0 FTE.

Federal Grant Reduction

Informational

The Hurricane Sandy Disaster Relief grant was part of the Disaster Relief Appropriations Act of 2013. The National Park Service allocated \$50.0 million nationally for the preservation of historic resources damaged by Hurricane Sandy. The Commission was awarded a total of \$3.2 million and distributed funding in FY2015 and FY2016.

The grant made repairs to the Watch Hill Lighthouse, Rose Island Lighthouse, the Cliff Walk, as well as funding surveys of archaeological sites on Block Island, and the coasts of Narragansett, Charlestown and Westerly.

State Preservation Grant Program

Informational

In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. The State Preservation Grants Program was established to improve and or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. In FY2016, the Commission completed Round 1 of awards, totaling \$1.8 million to support 25 statewide projects. Round 2 grant applications are currently under review at which point funding allocations will be determined.

CAPITAL PROJECTS

In FY2016 the renovations to the Eisenhower House were completed with the project costs totaling \$2.4 million. Final payments to contractors were made in FY2016 totaling \$120,000. No additional funds are allocated for FY2017 for the Eisenhower House.

Department of the Attorney General

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Division	\$2.8	\$3.2	\$3.3	\$0.2	7.3%	\$3.3	\$0.2	10.5%
Criminal Division	21.3	23.1	23.8	0.7	-3.7%	24.0	0.9	-2.1%
Civil Division	5.5	6.2	6.0	(0.2)	3.2%	6.1	(0.1)	3.9%
Bureau of Criminal Identification	1.4	1.6	1.7	0.1	5.1%	1.8	0.2	5.4%
Total	\$30.9	\$34.0	\$34.8	\$0.8	2.3%	\$35.1	\$1.1	3.3%
Expenditures By Source								
General Revenue	\$23.9	\$25.2	\$24.2	(\$1.0)	-3.9%	\$25.6	\$0.4	1.6%
Federal Funds	1.9	1.3	3.7	2.5	190.2%	1.7	0.4	31.0%
Restricted Receipts	5.1	7.3	6.6	(0.7)	-9.6%	7.6	0.3	4.2%
Operating Transfers from Other Funds	0.0	0.3	0.0	-	0.0%	0.3	-	0.0%
Total	\$30.9	\$34.0	\$34.8	\$0.8	2.3%	\$35.1	\$1.1	3.3%
Authorized FTE Levels	233.1	236.1	236.1	-	0.0%	235.1	1.0	0.4%

\$ 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. The Budget includes 236.1 FTE positions in revised FY2016, consistent with the FY2016 Budget as Enacted; and 235.1 in FY2017.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$35.1 million in total funding for the Department, an increase of \$1.1 million from the FY2016 Budget as Enacted. General revenues increased by \$402,772 or 1.6 percent from the FY2016 Budget as Enacted, to \$25.6 million.

\$390,330 of the overall increase is due to comprehensive personnel upgrades designed to mitigate the persistent loss of highly skilled staff. 162.1 FTEs are being raised 2 pay grades and 80 are proposed to go up 1 grade. Another \$137,345 will fund an investigator and paralegal clerk in the Criminal Division that were previously funded by three expiring federal grants.

The Budget decreases general revenue by \$250,000 in the Civil Division based upon expected reductions in outside legal costs since the April 2015 settlement of the state and municipal worker pension litigation.

The Budget moves \$6.3 million in restricted receipts relating to Google forfeiture funds from FY2016 to FY2017. The Department indicates that these funds will be for two capital projects – a Customer Service Center to be located in the Pastore Complex (total project costs estimated to between \$10-11 million) and the renovation of the Attorney General’s main offices at 150 South Main Street (estimated total costs estimated between \$3-5 million). The funding will also be used to purchase new equipment for the State Crime Laboratory.

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public

Information/Legislation. The Division oversees the finances of the Department, prepares and submits the Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Budget includes 22.0 FTE positions in revised FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted level.

General Division	General Revenue
FY2016 Enacted	\$2,855,011
<i>Target and Other Adjustments</i>	19,533
Personnel	151,755
FY2017 Enacted	\$3,026,299
Personnel	\$151,755

The Budget includes \$151,755 for pay grade increases and benefit adjustments throughout the general management program.

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focus on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes 150.1 FTE positions in revised FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Criminal Division	General Revenue
FY2016 Enacted	\$15,461,041
<i>Target and Other Adjustments</i>	(25,100)
Personnel	137,345
Operating Costs	102,639
FY2017 Enacted	\$15,675,925

Criminal Division	Other Fund Changes
Google Forfeiture Funds	\$6,260,000

Personnel **\$137,345**

An increase of \$137,345 in salary and benefits is included for 2.0 FTE positions (1.0 Investigator, and 1.0 Paralegal Clerk) which were previously funded through federal grants. In FY2017, funding from the Victims of Crime Act (VOCA) grant, Grants to Encourage Arrest Policies (GTEAP), and Drug Court grant, is expiring.

Operating Costs **\$102,639**

The Budget includes an additional \$102,639 based on historical expenditures for snow plowing, rental of outside property, leasing equipment, and out of state travel for Grand Jury witnesses and experts.

Google Forfeiture Funds (restricted receipts) **\$6.3 million**

The Budget moves \$6.3 million in restricted receipts relating to Google forfeiture funds from FY2016 to FY2017. The Department indicates that these funds will be for two capital projects – a Customer Service

Center to be located in the Pastore Complex (total project costs estimated to between \$10-11 million) and the renovation of the Attorney General's main offices at 150 South Main Street (total costs estimated between \$3-5 million). They will also be used to purchase additional equipment for the State Crime Laboratory. The following table outlines expenditures of these funds to date:

Google Forfeiture Funds: Expenditure Summary					
Item	FY2013	FY2014	FY2015	FY2016	FY2017*
Building Maintenance and Repairs	-	\$1,118,978	\$1,867,151	\$2,750	\$6,000,000
Vehicles	53,769	-	-	-	-
Building Acquisition	-	3,400,000	-	-	-
IT System Design	-	574,205	1,301,371	2,712,608	-
General Operating Expenses	4,600	40,994	731,679	2,582,250	-
State Crime Laboratory	-	-	-	-	260,000
Total	\$58,369	\$5,134,177	\$3,900,201	\$5,297,608	\$6,260,000
Balance Remaining from Award					\$39,349,645

* Projected

Analyst Note: The highest ranking department official, in this case, the Attorney General, has sole authority to make spending requests to the Department of Justice for use of Google forfeiture funds. The State Budget serves only as a planning tool for monitoring these expenditures.

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 44.0 FTE positions in revised FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Civil Division	General Revenue
FY2016 Enacted	\$5,285,996
<i>Target and Other Adjustments</i>	<i>12,702</i>
Pension Litigation	(250,000)
Personnel	86,845
Tobacco Litigation	Informational
FY2017 Enacted	\$5,135,543

Pension Litigation **(\$250,000)**

The Budget decreases general revenue funding by \$250,000 for reduced legal costs. Previously, this funding was used to support outside legal counsel for the State's role in the pension litigation. A settlement agreement was reached on April 2, 2015, regarding the 2011 pension changes. It affected

almost 59,000 past and present state and municipal workers. Three municipal police and fire unions are likely to continue the litigation. The financial requirements of future litigation are unclear.

Personnel **\$86,845**

The Budget includes \$86,845 to hire 1.0 Principal Clerk Stenographer position. This position is responsible for stenographic secretarial duties including transcribing general and technical dictation.

Tobacco Litigation **Informational**

The Budget includes \$40,000 in general revenue, consistent with the FY2016 Budget as Enacted level, for expenses relating to the National Association of Attorney General (NAAG) – Tobacco Litigation.

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 20.0 FTE positions in revised FY2016 and FY2017 for the program, consistent with the Budget as Enacted level.

Bureau of Criminal Identification	General Revenue
FY2016 Enacted	\$1,591,162
<i>Target and Other Adjustments</i>	<i>15,323</i>
Personnel	151,730
FY2017 Enacted	\$1,758,215

Personnel **\$151,730**

The Budget includes \$151,730 for pay grade increases and associated benefits throughout the Bureau of Criminal Identification program.

CAPITAL PROJECTS

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$300,000 in FY2017 for renovations on the Attorney General's main office building at 150 South Main Street, including HVAC upgrades, repointing/limestone repairs on the building exterior, new piping infrastructure due to leakages, electrical wiring upgrades, roof replacement, and renovations to preserve the cupola on the top of the building. The project totals \$3.0 million in RICAP funds through FY2021. Additionally, as indicated above, the Budget includes \$6.0 million in Google forfeiture restricted receipts in FY2017.

Department of Corrections

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$8.6	\$9.1	\$9.7	\$0.6	7.1%	\$10.2	\$11.1	12.1%
Community Corrections	15.1	16.0	15.8	(0.2)	-1.2%	17.0	0.9	6.2%
Custody and Security	126.5	127.6	130.5	2.9	2.3%	134.4	6.8	5.3%
Healthcare Services	20.6	20.8	21.3	0.5	2.5%	21.9	1.1	5.5%
Institutional Based Rehab/Population Mgmt	9.8	10.1	10.5	0.4	3.6%	12.2	2.1	20.4%
Institutional Support	19.4	26.0	23.2	(2.8)	-10.6%	27.7	1.7	6.6%
Parole Board	1.3	1.4	1.4	0.1	4.2%	1.4	(0.0)	-2.3%
Total	\$201.4	\$211.0	\$211.0	\$1.5	0.7%	\$224.8	\$13.8	6.5%

Expenditures By Source								
General Revenue	\$196.2	\$200.2	\$202.5	\$2.2	1.1%	\$211.7	\$11.5	-15.5%
Federal Funds	1.5	1.3	1.9	0.6	42.9%	1.1	(0.2)	5.7%
Restricted Receipts	0.2	0.0	0.3	0.3	547.3%	0.1	0.0	26.4%
Other Funds	3.5	9.4	7.9	(1.6)	-16.5%	11.9	2.5	27.8%
Total	\$201.4	\$211.0	\$212.6	\$1.5	0.7%	\$224.8	\$13.8	6.5%

Authorized FTE Levels	1,419.0	1,419.0	1,419.0	-	0.0%	1,423.0	4.0	0.3%
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\$ in millions. Totals may vary due to rounding.

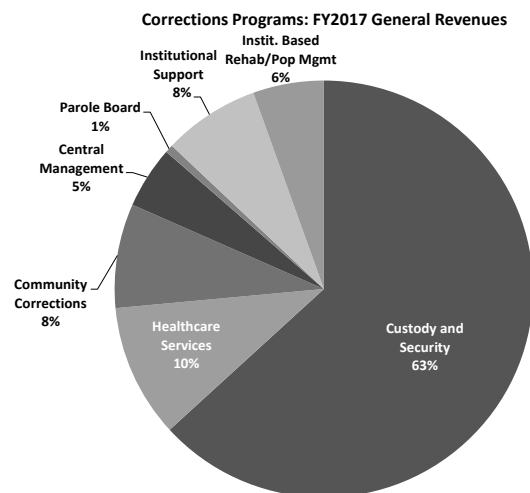
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit 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 3,989 beds. Through May 2016, the Department has averaged 3,074 inmates (77.1 percent of capacity) housed at the ACI for the fiscal year, including 2,951 men, and 124 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$224.8 million in total expenditures for FY2017; including \$211.7 million in general revenue, an increase of \$11.5 million over the FY2016 enacted level. The FY2017 Budget for the Department of Corrections is based on an estimated average daily population of 3,200; an increase of 92 inmates from the FY2016 Budget as Enacted.

The Budget includes \$473,303 in general revenue for a training class of approximately 60.0 Correctional Officers in FY2017. Funding for an FY2016 training class was removed because of a U.S. Department of Justice (DOJ) lawsuit over bias in testing materials. The Department currently has 55.0 Correctional Officer vacancies.

The Budget includes \$893,000 in general revenue, which funds recommendations stemming from the Justice Reinvestment Initiative (JRI). These personnel and operating changes are designed to



modernize probation, target supervision towards high-risk, high-needs probationers and improve the risk assessment of all probationers.

The Budget includes funding for a Pay-for-Success (PFS) pilot project jointly administered by the Department and DOA's Office of Management and Budget designed to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals. DOC is working with the Harvard University to develop a PFS model that uses private investment to fund programming for approximately 100 individuals. The investors would be paid-back based on demonstrated outcomes.

The Budget also provides an additional \$3.8 million for Correctional Officer overtime. In addition to the delay in bringing on a training class in FY2016 this increase is attributed to reopening of housing modules, attrition and weapons requalification time.

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 FY2016 and FY2017, consistent with the FY2016 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
FY2016 Enacted	\$8,958,836
<hr/>	
<i>Target and Other Adjustments</i>	<i>(52,479)</i>
Personnel	1,304,428
Time Tracker Software	(350,000)
INFACTS System Data Transfer	218,842
Electronic Medical Records System Update	100,000
Correctional Officer Training Class	Informational
FY2017 Enacted	\$10,179,627

Personnel \$1.3 million

The Budget increases \$1.3 million in salary and benefits due to the following expenses: approximately \$600,000 for changes to statewide benefits and cost-of-living increases, \$500,000 to fill vacant positions, and \$300,000 for the correctional officer training class.

Employee Time Tracker Project (\$350,000)

The Budget removes \$350,000 in funding to pay for the development by the Department of a time and attendance system. This Corrections-specific system was initially planned independent of a similar but larger scale Office of Digital Excellence (ODE) led initiative to develop a tracker system to be used by all state agencies. Instead of proceeding with the development of its own system, DOC will adopt the new ODE statewide system once it is completed. ODE is currently piloting the new system with several test agencies prior to a larger statewide roll-out. Although not a formal test agency, DOC needs have been evaluated as part of the overall process.

INFACTS System Data Transfer \$218,842

The Budget includes \$218,842 in general revenue to replace expiring Byrne Grant federal funds which paid for contracted programming services. The Department has been using contract personnel to re-write

the Inmate and Probation & Parole databases to be transferred to the Inmate Facility Tracking System (INFACTS).

Electronic Medical Records

\$100,000

The Budget includes \$100,000 to update the electronic medical records (EMR) system to include a platform for administration of a medication system. The electronic medication administration record (e-MAR) would track delivery and refusals of medication and standardize the system by using electronic barcodes at the time of distribution. The Department currently tracks these records using a manual paper-based system.

Correctional Officer Training Class

Informational

The Budget includes \$473,303 in general revenue (shifted from the FY2016 Budget as Enacted) for a training class of approximately 60.0 Correctional Officers in FY2017. The FY2016 revised budget does not fund a training class due to the ongoing U.S. Department of Justice (DOJ) lawsuit over bias in testing materials used by DOC; in preparation of the FY2017 class, recruitment activities (marketing and advertising) will continue in FY2016. The Department currently has 55.0 Correctional Officer vacancies.

According to the Department, the DOJ has stated that they will allow DOC to hold a CO training class in FY2017. DOC is actively working on getting those individuals who passed the written exam several years ago to continue with the training and have posted dates for this group to turn in a supplemental application to let DOC know that they are still interested. The training occurs in July 2017. The DOC does not yet have an estimate of how many applications are expected to be received.

The Department normally conducts training classes on an annual basis due to high turnover rates for Correctional Officers (COs). The average vacancy rate is 3 to 4 COs per month, amounting to 29 to 36 vacancies per year. The Department does not have a target staffing level or minimum roster because needs change on a daily basis based on population and security issues within specific facilities; however, classes are conducted annually to ensure the Department has trained COs available to adapt to changes in staffing requirements. Without a sufficient number of trained COs, current COs must fill shift needs, increasing overtime costs to the Department.

Analyst's Note: On February 10, 2014, the U.S. Department of Justice (DOJ) filed a lawsuit alleging that the Department engages in recruiting practices that adversely affect minority candidates. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations as part of the hiring process for entry level Correctional Officers violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

The lawsuit seeks damages that include job offers, back pay and retroactive seniority. The Department has sought the help of six private consultant firms, selected by the Attorney General's office, to review and analyze testing procedures and documents for the written and oral testing phases of the Department's Training Academy procedures and to provide methodology relating to such procedures. The Department is in the early stages of litigation and there is no timeline for closure of the issue.

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 FY2016 and 133.0 FTE positions in FY2017 for the program, an increase of 4.0 FTE positions from the FY2016 Budget as Enacted.

Community Corrections	General Revenue
FY2016 Enacted	\$15,957,837
<i>Target and Other Adjustments</i>	
Justice Reinvestment Initiative	1,175,352
Sex Offender Discharge Planning	893,000
Pay-for-Success Pilot	250,000
Community Corrections Population	Informational
FY2017 Enacted	\$17,133,189

Justice Reinvestment Initiative

\$893,000

The Budget includes \$893,000 for personnel and operating changes related to the Justice Reinvestment Initiative. This initiative was created by the Governor through Executive Order 15-11 as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government and several non-profit advocacy organizations in consultation with the Council of State Governments Justice Center, a non-profit organization that specializes in assisting government leaders in the analysis of justice systems. With the goal of reducing recidivism rates, the group identified three issue areas which presented the greatest challenges, particularly in the management of the pre-trial population: outdated probation policies; ineffective probation practices; and, insufficient assessment and diversion tools. Justice reinvestment identified these issues as the primary drivers of recidivism costs and developed solutions intended to reduce recidivism. The Budget provides funding for several of these recommendations as follows.

Additional Probation Supervision: The Budget includes \$320,000 to hire an additional 4.0 Probation Officer 1 positions to be responsible for performing pretrial assessments, as well as lowering the amount of caseloads on current officers.

Expanded Assessment of Probationers: The Budget includes \$123,000 to cover the costs associated with use of the recidivism risk assessment tool with probationers by community corrections staff.

Community-Based Cognitive Behavioral Programming: The Budget includes \$450,000 to support the implementation of community-based cognitive behavioral therapy. Funding will serve an estimated 525 persons with high behavioral health needs (or high risk of recidivating) to undergo a four month program per year at a cost of \$700 per individual. Work will entail supervision by parole officers coupled with treatment and programming based on need, risk, and responsivity. The total amount also includes \$50,000 for one-time training costs for parole officers.

Sex-Offender Discharge Planning

\$250,000

The Budget includes \$250,000 of additional personnel and operating funding to support discharge planning to sex-offenders transitioning from prison to the community. Discharge plans address employment, education, housing, treatment, and other community needs, and link offenders to services prior to discharge. With high risk offenders such as sex offenders, discharge planning staff continue their work with offenders following their release, coordinating services and activities with probation and parole staff.

Pay-for-Success Pilot Project

Informational

The Budget funds a Pay-for-Success pilot project to be administered by the Department of Administration in partnership with the Department of Corrections (DOC). DOC is working with the Harvard Kennedy

School’s Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

Each year more than 3,000 Rhode Islanders return to their communities after time spent in prison or jail. In 2013, 50.0 percent of men and 41.0 percent of women released from state correctional facilities returned to prison or jail within three years; for those released from medium and maximum security facilities, the three-year rate was 68.0 percent.

To improve recidivism rates, DOC is exploring the use of Pay-for-Success, a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the State only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society and save taxpayer dollars.

Initial funding of \$500,000 will support a pilot project for approximately 75 to 100 formerly incarcerated people to obtain skills development and employment training, while fostering access to transitional jobs and permanent employment. The pilot will also include initial staff training, program development and management, and data collection and analysis to determine whether expansion of Pay-for-Success would be a good investment for the State.

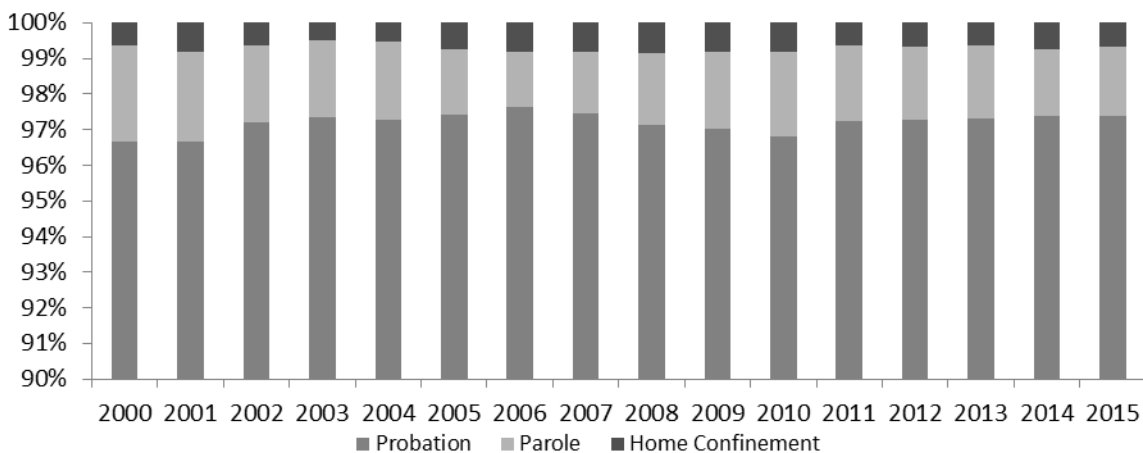
DOC will manage the programmatic components of the Pay-For-Success project, but the Office of Management and Budget (OMB) will serve as contract administrator to ensure that funds are not disbursed unless certain benchmarks are achieved. Because OMB coordinates the State’s involvement in the Pew-MacArthur Results First Initiative and has developed a cost-benefit model for recidivism reduction programs, it will be able to project potential savings from recidivism reduction and track whether those savings are realized.

Community Corrections Population

Informational

While representing only 8.1 percent of the Department’s general revenue budget for FY2017, Community Corrections serves the largest number of individuals. In FY2015, the program served 24,463 cases, representing a 1.2 percent increase over FY2014 and a 9.8 percent decrease over the past decade. Based on Department of Corrections’ statistics, 1 out of every 46 adult residents in the State is on probation or parole. This equates to 1 of every 22 men and 1 of every 141 women.

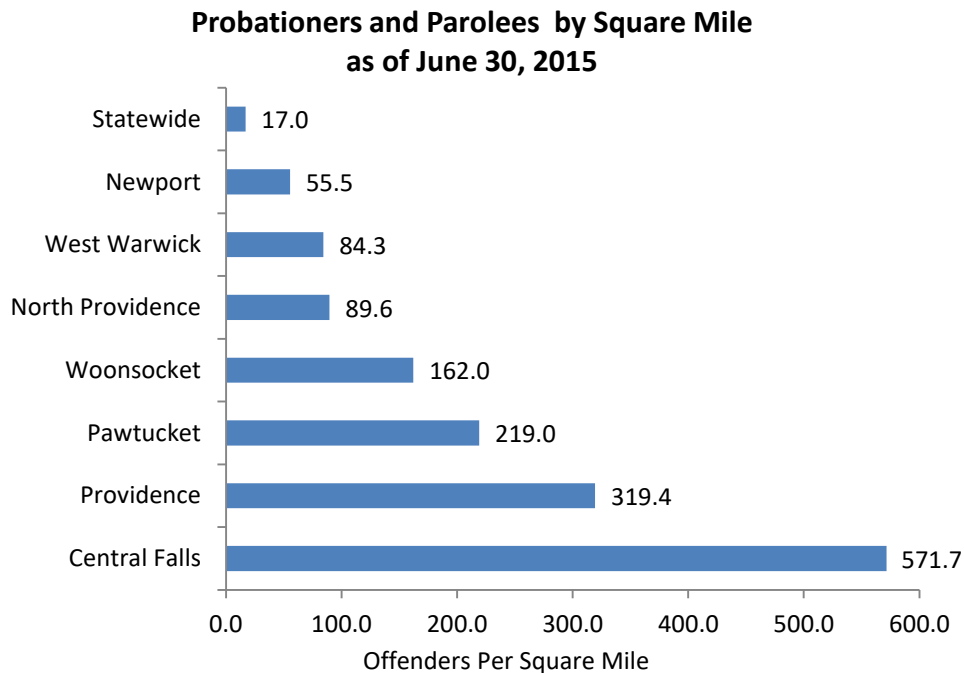
Community Corrections Population Trends



Source: DOC FY2015 Annual Population Report

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 lives in Providence or Pawtucket. Statewide there are an average of 17.0

probationers and parolees per square mile. This increases to as high as 571.7 probationers and parolees per square mile in the City of Central Falls.



Source: DOC FY2015 Annual Population Report

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State's inmate population to ensure the safety of staff, inmates, and the general public. The program represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran Medium Security Prison, the currently closed Donald Price Medium Security facility, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget provides a staffing level of 990.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Custody and Security	General Revenue
FY2016 Enacted	\$127,071,484
<i>Target and Other Adjustments</i>	<i>(254,988)</i>
Correctional Officer Overtime	3,745,178
Personnel	3,097,968
Correctional Officer Briefing Time	197,598
SCAAP Adjustment	Informational
Inmate Population	Informational
FY2017 Enacted	\$133,857,240

Correctional Officer Overtime **\$3.7 million**

The Budget includes \$3.8 million in additional general revenue for costs associated with Correctional Officer (CO) overtime. Double overtime hours continue to exceed 1,000 hours per pay period. This is in part due to the reopening of housing modules, attrition of 55.0 vacant CO positions, weapons

requalification time, and the delay in the Correctional Officer training class. According to the National Institute of Corrections, the current filled FTE level is inadequate to cover authorized posts, which increases the Department's reliance on overtime staff.

Personnel

\$3.1 million

The Budget includes an increase of \$3.1 million in general revenue funding for estimated cost-of-living adjustments for the anticipated salary increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The salary increase is consistent with the cost of living adjustments other state employees recently received. RIBCO is currently in contract negotiations with the State and the Department anticipates that the process will move to binding arbitration and be finalized by the second quarter of FY2017.

Correctional Officer Briefing Time

\$197,598

The shift commanders on the evening shift are unable to take a lunch due to being the only supervisors on until 6:30 am. Once another supervisor is in the building, the evening commanders take their lunch which does not allow time for briefing on information key to the shift. The Department agreed with RIBCO that additional OT would be provided to the evening shift commanders to perform the briefing and reduce their allotted lunch time.

SCAAP Adjustment

Informational

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for State Criminal Alien Assistance Program (SCAAP), which was created in 1990, offsets general revenue personnel costs for providing services while detainees are incarcerated. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include "undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period." The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The 2015 application contained identifying information for 679 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 \$571,759 in both FY2016 and FY2017 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants.

Inmate Population

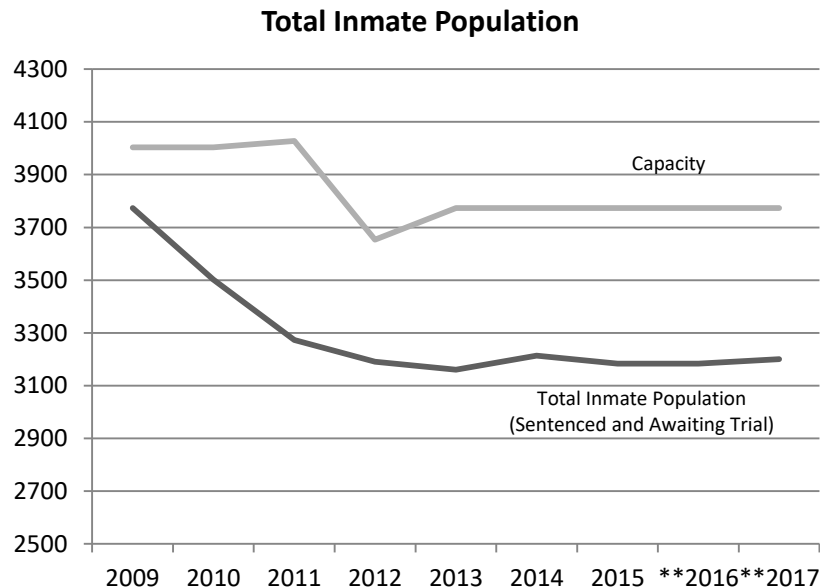
Informational

The Department's budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

The Department of Corrections' budget was based on an average daily population of 3,183 for the FY2016 revised budget, a decrease of 109 inmates from the FY2016 enacted level of 3,292. For FY2017, the Budget assumes a population of 3,200, a decrease of 92 inmates from the FY2016 Budget as Enacted.

Population Reduction Initiatives: The average monthly census for incarcerated individuals has decreased by 18.4 percent since September 2007, when the monthly average population reached a high point of 3,937. In FY2014, the continuous decline experienced since 2007 ended as totals increased by 53 inmates over the eleven month period from July to May. However, this change appears to have been reflective of a national trend, as 29 other states saw an increase in population during the same time period. According to

the Department, the uptick appears to be temporary as projections indicate an average inmate population of 3,074 in FY2016, a decrease of 218 from the enacted level of 3,292.



**FY2012 capacity change represents the Price Medium Security facility closing.*

***FY2016 and FY2017 figures are estimates.*

Source: DOC FY2015 Annual Report.

Three initiatives implemented in FY2008 aided in the reduction of the inmate population since the peak in September 2007.

- 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. A significant number of violators are in non-compliance with conditions of probation due to myriad social issues, for example: drug addiction, alcoholism, mental illness, homelessness, and unemployment (poverty). Addressing these issues eases the transition of re-entry, increases the likelihood of compliance, and reduces recidivism. The Defender Advocacy Program social worker attempts to address these issues on an individual case by case basis. In FY2015, some but not all of the tracked interventions include the following: new social worker referrals (312); in court social work contacts (emergency triage assistance without a referral) (675); diversions from custody (108); and warrant cancellation (33). According to the Office of the Public Defender, increasing the number of arraignments without incarceration contributes 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 their crimes. In FY2014, 2 inmates applied for medical parole; however, one inmate was not eligible under the statute, and the other was eventually released on straight parole.

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 FY2015 were \$57,937. The FY2016 revised budget assumes \$60,188, up \$1,259 from the enacted level of \$58,930; FY2017 costs are expected to be \$61,882, up \$1,695 from the FY2016 revised budget.
- Per Diem:** Per diem costs for inmates are associated with the Institutional Support program. For FY2017, this number is estimated to be \$4,122, 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 FY2016 revised budget per diem cost assumes \$4,214 per inmate. The FY2016 Budget is based on an estimated average of 3,200 inmates, or 86 inmates below the FY2016 enacted amount of 3,292 inmates. From FY2010 through FY2015, the Department has averaged 3,254 inmates. Through May 2016, the Department has averaged 3,074 inmates for the fiscal year.

HEALTHCARE SERVICES

The Healthcare Services program is responsible for medical, dental, and mental health service provision to all inmates. Prior to FY2013, these responsibilities were allocated to the Institutional Corrections program. The Budget includes 83.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 enacted level.

Healthcare Services	General Revenue
FY2016 Enacted	\$20,771,182
<i>Target and Other Adjustments</i>	<i>197,551</i>
Mental Health Contract Services	542,068
Pharmacy Services	398,772
Inmate Medicaid	Informational
FY2017 Enacted	\$21,909,573

Mental Health Contract Services

\$542,068

The Budget includes an additional \$542,068 for medical related contract services, including medical doctor services, psychiatry services for sentenced and jailed inmates, a sex offender treatment program, and discharge planning. The increase is attributable to a newly re-procured mental health services contract that was awarded to Lifespan. The bids for services in response to the procurement all came in at much higher costs than previous contracts.

Pharmacy Services**\$398,772**

The Budget increases \$398,772 in pharmacy expenses primarily due to Hepatitis C treatments for ten inmates. Total expenditures for Hepatitis C treatments is estimated at \$1.1 million in FY2017, consistent with the FY2015 level when ten treatments were completed.

Inmates are treated for Hepatitis C on a case-by-case basis using the drug Sovaldi. Currently, 5 inmates are being treated at a cost of \$460,000 (5 X \$92,000). The Budget includes funding for 8 inmates. According to the Department, Sovaldi has resulted in increased cure rates while decreasing the duration of treatment but was expensive and has since switched to Harvoni which is offered at \$30K less per inmate. DOC estimates approximately 30.0 percent of the prison population (964 inmates, based on FY2015 average population of 3,214 inmates) is in various stages of the disease.

Inmate Medicaid**Informational**

Under the new Affordable Care Act (ACA), more inmates are qualified for Medicaid coverage for in-hospital treatment. The new minimum requirements for coverage expanded the qualifying population to anyone with an income level under 138 percent of the Federal Poverty Level (FPL).

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.

Inmate Medicaid Capture	
Fiscal Year	Total
2008	\$125,000
2009	4,100
2010	49,000
2011	119,000
2012	0
2013	400,000
2014	533,000
Total	\$1,230,100

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. On average approximately 1,200 inmates complete applications for enrollment and since these offenders are released there is no data reflecting how many applications were accepted.

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The Institutional Based Rehabilitation/Population Management program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse 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 55.0 FTE positions for the program in FY2016 and 63.0 FTE positions in FY2017, an increase of 8.0 FTE positions from the FY2016 Budget as Enacted.

Institutional Based Rehab/Population Management	General Revenue
FY2016 Enacted	\$9,524,559
<i>Target and Other Adjustments</i>	74,974
Medication/Mediation Assisted Treatment Program	2,000,000
FY2017 Enacted	\$11,599,533

Medication/Mediation Assisted Treatment Program **\$2.0 million**

The Budget includes \$2.0 million to fund personnel and medical costs for the Medication/Mediation Assisted Treatment Program (MMAT). This program, which became an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Governor, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually. The amount also includes funding for methadone treatments and software development for a database that will track screenings and assessments.

Category	Amount
Methadone Treatment	\$1,211,735
Personnel	763,265
Electronic Medical Records System & Maintenance	25,000
Total	\$2,000,000

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 57.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Institutional Support	General Revenue
FY2016 Enacted	\$16,595,667
<i>Target and Other Adjustments</i>	86,525
Operating - Food Services and Distribution	(707,392)
Personnel - Food Services	(151,889)
FY2017 Enacted	\$15,822,911

Operating – Food Services and Distribution **(\$707,392)**

The Budget reduces food service operational costs by \$707,392 based on the estimated drop in the average inmate population and other savings in FY2017.

Personnel – Food Services **(\$151,889)**

Personnel costs for food services are reduced by \$151,889 in the Food Services Unit based upon planned turnover for FY2017.

PAROLE BOARD

The Parole Board is a six-member appointed commission that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Board is supported by an Administrator, an Investigator, and support staff. The Department has budgetary responsibility for the Board; however, it remains autonomous with regard to making parole decisions.

In 2013, the General Assembly passed the “Good Conduct Certificate” legislation, allowing the Parole Board to award a certificate of good conduct to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Current staff assists the Parole Board in administering the program. The Budget includes 10.0 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Parole Board	General Revenue
FY2016 Enacted	\$1,345,685
<i>Target and Other Adjustments</i>	<i>(7,204)</i>
FY2017 Enacted	\$1,338,481

CAPITAL PROJECTS

The Budget includes a total of \$53.2 million in capital projects from FY2017 through FY2021, including \$12.3 million in FY2017.

Major items in FY2017 include:

- \$3.8 million for asset protection projects at correctional facilities including drainage system improvements, window replacement, painting, and HVAC.
- \$1.7 million for restoration and repairs to the exterior of the Intake Service Center (ISC), upgrades the HVAC systems, and general repairs and upgrades.
- \$1.0 million for general asset protection projects and mechanical system upgrades at the Maximum Security building.

Judiciary

Expenditures By Program	FY2015	FY2016	FY 2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Supreme Court	\$35.0	\$39.4	\$40.5	\$1.1	2.8%	\$40.0	\$0.6	1.6%
Superior Court	23.2	23.6	23.4	0.2	0.8%	23.2	(0.3)	-1.4%
Family Court	23.2	23.9	23.3	(0.7)	-2.8%	24.3	0.3	1.4%
District Court	12.5	13.0	12.2	(0.8)	-6.4%	12.3	(0.7)	-5.3%
Traffic Tribunal	8.4	8.5	8.4	(0.1)	-1.7%	9.0	0.5	5.6%
Worker's Compensation Court	7.4	7.8	7.9	0.1	1.1%	8.1	0.3	4.3%
Judicial Tenure & Discipline	0.1	0.1	0.1	(0.0)	-0.1%	0.1	0.0	2.8%
Total	\$109.8	\$116.3	\$115.7	(\$0.6)	-0.5%	\$117.1	\$0.8	0.7%
Expenditures By Source								
General Revenue	\$94.4	\$96.0	\$95.2	(\$0.8)	-0.9%	\$96.6	\$0.6	0.6%
Federal Funds	3.1	3.4	\$3.5	0.1	2.0%	3.3	(0.2)	-5.2%
Restricted Receipts	10.9	11.3	11.4	0.1	0.7%	11.7	0.3	3.0%
Operating Transfers from Other Funds	1.3	5.5	5.6	0.1	1.6%	5.5	0.0	0.5%
Total	\$109.8	\$116.3	\$115.7	(\$0.6)	-0.5%	\$117.1	\$0.8	0.7%
Authorized FTE Levels	723.3	724.3	724.3	-	0.0%	723.3	(1)	-0.1%

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

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judiciary's budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

MAJOR ISSUES AND TRENDS FOR FY2017

Total general revenue funding is \$575,045 (0.6 percent) more than the FY2016 Budget as Enacted for a total of \$96.6 million. Article 1 caps the amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.1 million which are based on a March 2014 study of actual occupied space throughout the Courts. There is an increase of \$124,098 reimbursed to the Judiciary from these agencies.

In FY2016, the Judiciary began a concerted effort to collect \$81.0 million in overdue fines and fees. Tax intercept notices were sent out to individuals who owe fines to the Superior and District courts at a cost of \$142,957. The program (RIGL 8-15-9.3) requires the Judiciary to send out an at least 30-day prior written notice to persons who owe court imposed or court related fees. To comply, the Judiciary needs to send out mailings to 180,000 individuals. In addition, the Judiciary needs to send out notices to 30,000 individuals that may have their taxes intercepted. The FY2017 Budget includes an additional \$54,000 in the Traffic Tribunal program to send these additional tax intercept letters. The cost is based on the estimated mailing costs to jurors.

The Judiciary is developing a new Case Management and an E-Filing system. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. To date, \$6.1 million has been spent on this system. The Budget includes \$878,000 in FY2016 and \$814,000 in FY2017 in restricted receipts from the Information Technology Investment Fund to support ongoing system development.

The Budget includes \$5.6 million in FY2016 and \$5.5 million in FY2017 in Rhode Island Capital Plan Fund financing for court-wide HVAC projects and asset protection. The capital plan also includes a total of \$10.0 million for completion of unfinished courtroom space at the Noel Judicial Complex in Warwick and additions to the existing parking structure, with \$3.0 million allocated in both FY2016 and FY2017

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 159.3 FTE positions in revised FY2016 and FY2017 for the program, a decrease of 1.0 FTE position from the enacted level which was shifted to another program.

Supreme Court	General Revenue
FY2016 Enacted	\$30,649,257
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<i>Target and Other Adjustments</i>	<i>296,044</i>
Indigent Defense	242,166
Court Offsets	124,098
Community Service Grants	(17,094)
Case Management System	Informational
FY2017 Enacted	\$31,294,471

Indigent Defense **\$242,166**

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 FY2017, the Budget includes \$2.9 million for indigent defense, an increase of \$242,166 over the FY2016 Budget as Enacted level, and a decrease of \$60,345 below the final FY2015 amount spent (\$2.9 million).

Indigent Defense Caseload Summary

Court	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
District	623	582	555	574	583	584
Superior	1,074	989	910	909	971	1,055
Supreme	24	20	19	31	22	27
Family ¹	570	551	521	6,406	9,621	10,629
Total Cases	2,291	2,142	2,005	7,920	11,197	12,295
Total Costs	\$2,790,051	\$2,744,570	\$2,422,920	\$2,408,584	\$2,571,680	\$2,910,164
Avg. Cost per Case	\$1,218	\$1,281	\$1,208	\$304	\$230	\$237

¹ The manner in which the number of Family Court cases was calculated changed when the Indigent Defense Attorney Portal went live on October 10, 2012. Prior to 10/10/12 the number represents the number of monthly timesheets submitted, whereas afterwards represents the number of actual cases. In FY2013 there were 173 monthly timesheets submitted and 6,233 cases. The FY2013 Family Court count reflects this.

Source: Judiciary FY2017 Budget Request

Court Offsets**\$124,098**

Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.1 million. State agencies that occupy court space include the Public Defender's Office; Office of the Attorney General; Department of Corrections; Department of Children, Youth, and Families; and Department of Public Safety. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied. In total, the agencies occupy 19.7 percent (89,979 square feet) of useable court space based on a March 2014 study.

Community Service Grants**(\$17,094)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. The Superior Court is appropriated \$320,000 of general revenue for CSO grant supported domestic violence prevention initiatives, a reduction of \$17,094 from the FY2016 Budget as Enacted.

Case Management System**Informational**

The Judiciary has been developing a new Case Management System and 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. To date \$6.0 million has been spent on this initiative. The Budget includes \$878,000 in FY2016 and \$814,000 in FY2017 in restricted receipts from the Information Technology Investment Fund to support ongoing system development.

To date, civil cases in Superior, Family, District, Workers' Compensation Courts Traffic, and Traffic Tribunal have been converted to the new system. In June 2016, the Supreme Court and criminal cases for Superior and District Courts will be converted and e-filing for those courts will go live.

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence,

Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning boards and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which accelerates the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 164.7 FTE positions in FY2016 and FY2017 for the program, an increase of 1.0 FTE position from the enacted level shifted from another program within the court system.

Superior Court	General Revenue
FY2016 Enacted	\$23,209,940
<i>Target and Other Adjustments</i>	
Personnel	115,275
	(518,155)
FY2017 Enacted	\$22,807,060
Personnel	(\$518,155)

The Budget reduces \$518,155 in general revenue, primarily due to increased turnover (7.5 percent) in the Superior Court program. Currently, 1.0 Judge position and 1.0 Magistrate position are vacant.

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 175.0 FTE positions in revised FY2016 and FY2017, an increase of 1.3 positions from the enacted level shifted from other programs within the court system.

Family Court	General Revenue
FY2016 Enacted	\$20,918,555
<i>Target and Other Adjustments</i>	
	577,055
FY2017 Enacted	\$21,495,610

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 eliminates 1.0 Deputy Executive/Communications Assistant position resulting in a total staffing level of 94.0 FTEs in FY2017.

District Court	General Revenue
FY2016 Enacted	\$12,589,546
<i>Target and Other Adjustments</i>	
Personnel	(895,291)
Community Service Grants	(18,225)
FY2017 Enacted	\$11,865,905

District Court	Federal Funds
Veterans Treatment Court	\$89,738

Personnel **(\$895,291)**

The Budget decreases \$895,291 in salary and benefits, reflecting a turnover savings for vacancies within the program, including 1.0 Judge, 1.0 Administrative Clerk and 1.0 Deputy Executive Assistant/Communications.

Community Service Grants **(\$18,225)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. The Budget eliminates the \$18,225 grant for pre-trial services within the District Court.

Veterans Treatment Court (federal funds) **\$89,738**

As a problem solving court, the mission of the Veterans Treatment Court is “to successfully rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans’ unique challenges to reintegrate successfully into society and to maintain a productive and law abiding lifestyle within the community.” As the first veterans specific court in New England the Veterans Treatment Court opened its doors for referrals in the District Court in April 2011. The designated calendar, which was initially part of a pilot program funded through a Substance Abuse and Mental Health Services (SAMHSA) grant, was designed to direct veterans diagnosed with trauma related disorders into a court program that integrates support and treatment plans with the judicial process. It is intended to divert the offenders away from incarceration while providing appropriate rehabilitative alternatives.

The Budget includes \$303,154 in FY2017 in federal funds, reflecting the second year of a new Veterans Grant which will be used by the Judiciary to expand outreach to an estimated 250 additional veterans as part of its Veterans Treatment Court activities. This is \$89,738 more than the previous Budget as Enacted. The activities will focus on a jail diversion program and substance abuse issues of veterans appearing before the court.

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 78.3 FTE positions in revised FY2016 and FY2017, a 0.1 FTE increase from the FY2016 enacted level.

Traffic Tribunal	General Revenue
FY2016 Enacted	\$8,542,221
<i>Target and Other Adjustments</i>	<i>(39,982)</i>
Personnel	386,941
Security Services	75,000
Postage	54,000
FY2017 Enacted	\$9,018,180

Personnel **\$386,941**

The Budget increases \$386,941 in general revenue, primarily due to statewide benefits changes and filling 1.0 vacant Magistrate position.

Security Services **\$75,000**

The Budget includes \$150,000 for Capitol Police overtime expenses at the Traffic Tribunal. This represents \$75,000 increase over the FY2016 Budget as Enacted and is based on actual expenditures in FY2016 of \$210,435.

Postage **\$54,000**

The Budget includes a \$54,000 increase in postage for the Judiciary to send out tax intercept notices to individuals who owe fines to the Traffic Tribunal. These notices are a follow up to the original mailings which were sent in FY2016. The program (RIGL 8-15-9.3) requires the Judiciary to send out at least 30-day prior written notice to persons who owe court imposed or court related fees. To comply, the Judiciary needs to send out mailings to 180,000 individuals. In addition, the Judiciary needs to send out notices to 30,000 individuals that may have their taxes intercepted. The cost is based on the estimated mailing costs to jurors.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Budget includes 50.0 FTE positions in revised FY2016 and FY2017, an increase of 1.0 FTE position over the enacted level shifted from another program within the court system.

Workers' Compensation Court	Restricted Receipts
FY2016 Enacted	\$7,763,807
<i>Target and Other Adjustments</i>	<i>332,210</i>
FY2017 Enacted	\$8,096,017

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 FY2016 and FY2017 for the program, consistent with the FY2016 enacted level.

Judicial Tenure & Discipline	General Revenue
FY2016 Enacted	\$121,527
<i>Target and Other Adjustments</i>	<i>3,338</i>
FY2017 Enacted	\$124,865

CAPITAL PROJECTS

The Budget includes \$27.2 million in RICAP funds for FY2017 through FY2021 for capital projects, including \$5.5 million in FY2017.

- The Budget includes \$10.0 million to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion, including \$3.0 million in FY2017, and \$4.0 million in FY2018. The Judiciary expects to complete the project in two phases. The first phase of the project adds two decks to the current parking garage to address the need for additional parking as a result of the proposed expansion. The second phase of the project will build out the shelled courtroom space within the Noel Complex. Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties.
- The Budget includes \$900,000 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$875,000 in FY2017 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and exterior courthouse refurbishments.
- The Budget includes \$750,000 for restorations to the Licht Judicial Complex, beginning with \$500,000 in FY2017. Funds will be used to repair decaying plaster, replace or renovate courtroom benches, and other upgrades to the courthouse exterior.

Military Staff

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
RI National Guard	\$15.5	\$19.4	\$18.9	(\$0.5)	-2.6%	\$23.2	\$3.8	19.6%
Total	\$15.5	\$19.4	\$18.9	(\$0.5)	-2.6%	\$23.2	\$3.8	19.6%
Expenditures By Source								
General Revenue	\$2.1	\$2.0	\$2.3	\$0.3	15.0%	\$2.7	\$0.7	35.0%
Federal Funds	12.4	15.4	14.7	(0.7)	-4.5%	17.5	2.1	13.6%
Restricted Receipts	0.2	0.3	0.4	0.1	33.3%	0.3	-	-
Operating Transfers from Other Funds	0.8	1.7	1.5	(0.2)	-11.8%	2.7	1.0	58.8%
Grand Total	\$15.5	\$19.4	\$18.9	(\$0.5)	-2.6%	\$23.2	\$3.8	19.6%
Authorized FTE Levels	85.0	92.0	92.0	-	-	92.0	-	-

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

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative established under the Governor's Executive Order 2015-10 dated May 7, 2015. The Budget includes various personnel and operating adjustments to fulfill its mission. According to the FY2017 Budget performance measures tracks (based on federal fiscal year) the percentage of the State's armories and readiness centers that meet or exceed the United States Army building code compliance standards remains at 11.0 percent, the same percentage 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 (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Budget includes 92.0 FTE positions in FY2016 and in FY2017.

RI National Guard	General Revenue
FY2016 Enacted	\$2,065,434
<i>Target and Other Adjustments</i>	<i>(3,346)</i>
Operating, Contracted Services, and Assistance and Grants	330,501
Quonset Fire Protection	161,370
Adjutant General Pay Adjustment and Position Conversion	55,760
Cybersecurity Commission Initiative	50,000
FY2017 Enacted	\$2,659,719

RI National Guard	Other Fund Changes
Personnel, Contracted Services, Construction Costs, and Operating	\$2,135,933

Operating, Contracted Services, and Assistance and Grants **\$330,501**

The Budget includes \$1.5 million in general revenue (\$8.7 million in all funds) in FY2017 for operating, purchased services, and assistance and grants, reflecting an increase of \$330,501 from the FY2016 Budget as Enacted.

Operating, Purchased Services, and Grants	FY2016 Enacted	FY2017 Enacted	Change
Operating Costs	\$841,518	\$1,092,365	\$250,847
Purchased Services	81,797	148,301	66,504
Assistance and Grants	202,000	215,150	13,150
Total	\$1,125,315	\$1,455,816	\$330,501

The Budget includes \$1.1 million in general revenue (\$6.6 million in all funds) in FY2017 for operating expenses, an increase of \$250,847. The largest adjustment is the net increase of \$147,637 in general revenue for building maintenance and repair expenses, reflecting the change in the use and funding share source for the United States Property and Fiscal Office (USPFO) building on Camp Street in Providence. The USPFO structure and its federal unit is supported using 100.0 percent federal funds. However, the federal government built a new USPFO structure at Camp Fogarty in East Greenwich and vacated the Camp Street building.

Because the Camp Street building was well maintained and the Guard needed a new location for its RING Medical Detention facility, the Guard transferred the RING Medical Detention facility from Quonset to the Camp Street location. However, because the RING Medical Detention facility is funded 50.0 percent by the State and 50.0 percent by the federal government, the Guard requires an increase in general revenues to cover the costs of this facility.

Operating	FY2016 Enacted	FY2017 Enacted	Change
Building Maintenance and Repairs	\$90,061	\$237,698	\$147,637
Utility Expenses	556,859	600,209	43,350
All Other Operating Adjustments	194,598	254,458	59,860
Total	\$841,518	\$1,092,365	\$250,847

The Budget includes \$148,301 in general revenue (\$1.7 million in all funds) in FY2017 for purchased services, a net increase of \$66,504 in general revenue from the FY2016 Budget as Enacted. Purchased services for the National Guard include IT system support, janitorial and security services at National Guard sites, fire protection services, and medical testing services for guard employees.

The Budget includes \$42,377 in general revenue for contracted snow removal services that are appropriated under the Other Buildings and Grounds category. Previously, the Guard used Guard owned vehicles and personnel to clear the snow. However, the Guard replaced several of the snow removal vehicles over the past year due to age and maintenance issues, and new federal rules prohibit the Guard from using any of the replacement military vehicles acquired through federal funds for snow removal.

Therefore, the Guard is now required to contract snow removal services. Also the janitorial services increases \$16,184 reflecting the change in funding source for the USPFO building, from 100.0 percent federally-funded building to a 50/50 federal/state share building, where the State assumes more of the operating costs for the facility.

Purchased Services	FY2016 Enacted	FY2017 Enacted	Change
Accounting/Auditing	\$0	\$9,204	\$9,204
Architectural Services	30	-	(30)
Doctors/Dentists	680	531	(149)
Environmental Services	83	964	881
Extermination Services	1,242	991	(251)
Fire Protection Services	10,008	8,296	(1,712)
Janitorial Services	69,754	85,938	16,184
Other Building and Grounds	-	42,377	42,377
Total	\$81,797	\$148,301	\$66,504

The Budget includes \$215,150 in general revenue funded assistance and grants in FY2017 for honor guards and buglers for funeral honors to military personnel and veterans. This reflects a net increase of \$13,150 in general revenue from the FY2016 Budget as Enacted. In 2012, the federal National Guard Bureau notified the Rhode Island National Guard that the federal government would no longer support military honors for funerals of Navy, Marine, and Coast Guard personnel, requiring full state contribution for these honors. Federal support for Army and Air Force burials has also eroded as a result of this action. RIGL 30-25-1 and 30-25-2, require the State to fund military funeral honors for honorably discharged military personnel at their funerals as a tribute to their service to the United States. Payments are stipends to (usually) retired military personnel for services performed. Each military honors event includes three rifles for the squad and one bugler, with each stipend totaling \$50.00.

Assistance and Grants	FY2016 Enacted	FY2017 Enacted	Change
Assistance and Grants	\$202,000	\$215,150	\$13,150
Total	\$202,000	\$215,150	\$13,150

Quonset Fire Protection

\$161,370

The Budget increases general revenue funded personnel costs by \$161,370. The increase reflects the additional State share for firefighters at the Quonset Air Base that exceeds the federal compensation cap for firefighters. Previously, firefighters at Quonset Air Base were financed with 100.0 percent federal funds under the Master Cooperative Agreement Appendix 24 Firefighter program. Subsequently, the federal government adopted new rules that capped the federal contribution rate for the firefighters at a 2012 compensation rate. Firefighters hired before 2012 were “grandfathered” and are not subject to the federal 2012 cap level. The State is required to pay any amounts in excess of the cap on the “grandfathered” amounts. The additional \$161,370 reflects the amount of compensation for the “grandfathered” firefighters that exceeds the federal cap.

Firefighter staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to supplant the State share. There are 30.0 FTE positions assigned to the program, including 3.0 FTE vacant positions.

Adjutant General Pay Adjustment and Position Conversion

\$55,760

The Budget increases the general revenue appropriation by \$55,760 for increased personnel costs, including a net adjustment of \$29,834 to the Adjutant General’s salary and benefits, reflecting the change in Adjutant General’s paygrade and an increase of \$25,926 reflecting the change in payroll costs for a 1.0 Air National Guard Senior Environmental Planner position. This new position does not require a change in the authorized FTE level for the National Guard, as it is created by converting a vacant and unfunded

1.0 Administrative Assistant position with payroll costs that were 50.0 percent state and 50.0 percent federal to a position with payroll costs that are 25.0 percent state and 75.0 percent federal.

Cybersecurity Commission Initiative

\$50,000

The Budget includes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Governor's Executive Order 2015-10 dated May 7, 2015, established this Commission to develop strategies and protections to minimize the impact of a cyber disruption on government and on private sector operations, as well as to encourage the development of the State's cybersecurity industry sector.

The Commission is comprised of representatives of state agencies, local government, quasi-government agencies, and from specific private industry sectors. The Guard is one of the State agencies named to be on this Commission. However, the Guard is required to expend only State funds on projects that solely involve a State event or action, and does not include any actions involving a federal mandated action. To accommodate State-only events or actions, appropriations are made to a State Activation account under the Military Staff budget. Usually the State Activation account is used to fund members of the Rhode Island National Guard when the Governor calls them to duty for an emergency or for a State Ceremony such as the Governor's Inauguration. The number of staff to be involved with the Commission has not been determined.

Analyst's Note: the Commission filed a draft action plan on steps the State should take to protect State government operations in October 2015. This plan is on-line and available to the public. A second plan on growing the cybersecurity industry in Rhode Island was filed in December 2015. The latter plan is under review and not yet available to the public.

Personnel, Contracted Services, Construction Costs, and Operating (federal funds)

\$2.1 million

The Budget adds \$2.1 million in federal funds for personnel, contracted services, operating, and capital equipment expenses for the National Guard and its operation of the numerous facilities owned by the Rhode Island National Guard, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings. The increase includes \$1.3 million for construction in progress on various Guard facilities, \$174,825 for contracted services mainly for previously delayed building maintenance at the Quonset Air Guard facility and janitorial services, and \$554,362 in federally-funded personnel costs.

CAPITAL PROJECTS

The Budget includes \$2.7 million (\$1.5 million RICAP) in capital projects for FY2016 and \$5.3 million in FY2017 (\$2.7 million RICAP), including:

- \$100,000 in FY2016 and \$1.5 million in FY2017 for a new Joint Force Headquarters Building project. The funding provided in FY2016 is for site surveys and to extend the utility connections to the site at Camp Fogarty in East Greenwich. Construction is scheduled to begin in FY2018 when the bulk of the planning and construction will occur.
- \$390,512 in FY2016 and \$700,000 in FY2017 for various asset protection projects.
- \$250,000 in FY2016 and \$357,500 in FY2017 for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$773,423 in RICAP funds in FY2016 to complete the Benefit Street Arsenal rehabilitation projects. No further funding is recommended after FY2016.
- \$125,000 in RICAP funds in FY2017 for a Bristol Readiness Center feasibility study. The Military Staff is planning for the design and renovation/construction of a new armory and field maintenance shop to service two Guard units in the East Bay area. The current facilities fail to meet federal operational, logistical, and security standards.

Rhode Island Emergency Management Agency

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Central Management	\$14.5	\$18.5	\$28.5	\$10.0	53.9%	\$24.0	\$5.5	29.4%
Expenditures By Source								
General Revenue	\$1.8	\$1.8	\$1.8	-	-	\$1.8	-	-
Federal Funds	12.6	16.5	26.2	9.7	58.8%	20.1	3.6	21.8%
Restricted Receipts	0.1	0.2	0.3	0.1	50.0%	0.9	0.7	350.0%
Operating Transfers from Other Funds	-	-	0.2	0.2	100.0%	1.2	1.2	100.0%
Total	\$14.5	\$18.5	\$28.5	\$10.0	54.1%	\$24.0	\$5.5	29.4%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

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

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes funding for three capital projects under the Rhode Island Emergency Management Agency (RIEMA), including final costs associated with the Hurricane Sandy 2012 repairs, continued funding for the enhancement and further development of the Rhode Island Statewide Communications System Network (RISCON), and an RIEMA building feasibility study. The Budget includes a net increase of \$3.5 million in federal funds for FY2017, including \$4.0 million in federal funds for expenses incurred with the Blizzard of 2015 (Juno). The Budget includes 32.0 FTE positions in FY2016 and in FY2017, consistent with the previous enacted level.

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.

Central Management	General Revenue
FY2016 Enacted	\$1,766,002
<i>Target and Other Adjustments</i>	<i>(3,947)</i>
Utility Adjustments	50,098
DOIT Maintenance Contracts	36,723
Blizzard of 2015 (Juno)	<i>Informational</i>
FY2017 Enacted	\$1,848,876
	Other Fund Changes
Disaster and Emergency Preparedness Grants	\$5,254,510
Personnel Adjustments	142,051

Utility Adjustments**\$50,098**

The Budget includes \$69,098 to pay the utility expenses, reflecting an increase of \$50,098 from the FY2016 Budget as Enacted, due to the increased use of space by RIEMA at the Rhode Island National Guard Headquarters in Cranston.

Emergency Management Utility Expenses	FY2016 Enacted	FY2017 Governor	Change
Electricity	\$0	\$20,995	\$20,995
Fuel: Natural Gas	-	30,000	30,000
Telecomm: Overhead	7,000	6,000	(1,000)
Telecomm: Telephone Charges	-	-	-
Telephone and Telegraph	12,000	12,103	103
Waste Disposal	-	-	-
Water	-	-	-
Total	\$19,000	\$69,098	\$50,098

RISCON Maintenance Contracts**\$36,723**

The Budget 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 State negotiated and signed a new contract with the vendor (Motorola) on July 1, 2013, that includes an escalator for the contract price. The contract price for FY2017 is \$1,133,343, an increase of \$36,723 as compared to the appropriation contained in the FY2016 Budget as Enacted.

Blizzard of 2015**Informational**

On April 3, 2015, President Obama approved the State's request for a disaster declaration connected to the January 26 blizzard (Juno) that left nearly two feet of snow in parts of the state and brought high winds that crippled travel requiring the Governor to order a travel ban. The preliminary estimate on the storm's cost is \$4.7 million in costs to the State and municipalities.

The disaster approval means that state agencies, local governments, tribal communities, and certain nonprofit groups in all five of the state's counties will be eligible for funding through the Federal Emergency Management Agency (FEMA) to recoup costs for preparing for and responding to the storm. Most of the funding will be awarded to the Rhode Island Department of Transportation for costs to remove the snow and repair damages from that storm.

Disaster and Emergency Preparedness Grants (federal funds)**\$5.3 million**

The Budget includes recommends \$15.9 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 Budget includes a net increase of \$5.3 million in federal funds for FY2017. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2017.

RIEMA Federal Grants	FY2016		Change
	Enacted	FY2017 Enacted	
Blizzard - Juno Disaster #4212	\$0	\$4,000,000	\$4,000,000
Hurricane Sandy October 2012	1,076,297	3,191,356	2,115,059
Emergency Management Preparedness Grant 2013	2,049,224	80,000	(1,969,224)
FEMA Flood 1894 Hazard Mitigation	2,179,793	831,090	(1,348,703)
Pre-disaster Mitigation Competitive Grant 2013	-	1,194,367	1,194,367
Emergency Management Preparedness Grant 2014	1,328,701	200,000	(1,128,701)
All Other Grants	3,961,999	6,353,711	2,391,712
Total	\$10,596,014	\$15,850,524	\$5,254,510

Personnel Changes (federal funds and restricted receipts)

\$142,051

The Budget includes \$2.9 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$139,727 in federal and an increase of \$2,324 in restricted receipts, for a net increase of \$142,051 from the FY2016 Budget as Enacted. The Budget shifts more salaries and benefits to federal funds, continuing the agency's policy of realigning job duties to maximize personnel expenditures through federal funding and restricted receipts.

CAPITAL PROJECTS

The Budget includes funding for three capital projects. The projects include:

- \$1.6 million in FY2017 (\$1.0 million in RICAP and \$585,735 in restricted receipts) to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for the daily operations.
- \$232,075 in RICAP funds in federal funds in FY2016 for residual disbursements related to the Hurricane Sandy repairs 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. FY2016 will be the last year with funding related to Hurricane Sandy.
- \$189,750 in RICAP funds to conduct a RIEMA building feasibility study to evaluate the agency's spatial needs and explore building options to relocate the headquarters and emergency operations center from its present location at 645 New London Avenue in Cranston. The feasibility study will not consider reusing the current headquarter facilities.

Analyst's Note: The facility located at 645 New London Avenue serves as the headquarters for the Rhode Island National Guard. The enacted capital budget includes \$32.2 million in funding to relocate the Guard to a new Joint Forces Headquarters at Camp Fogarty in East Greenwich. The relocation of the Guard to East Greenwich fulfills new federal security mandates that the Guard cannot meet at the New London Avenue location. Recently, a new emergency operations center for RIEMA was constructed at the New London Avenue location.

Department of Public Safety

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$4.7	\$5.1	\$6.5	\$1.4	27.1%	\$6.8	\$1.7	\$0.3
E-911	5.3	5.4	5.4	0.0	0.6%	5.7	0.3	6.0%
Fire Marshal	3.6	5.9	7.0	1.1	19.0%	5.1	(0.7)	-12.7%
Municipal Police Training	0.4	0.4	0.5	0.1	12.6%	0.5	0.1	15.6%
Security Services	21.9	22.7	22.4	(0.3)	-1.4%	23.2	0.5	2.1%
State Police	81.3	84.3	96.3	12.1	14.3%	78.7	(5.6)	-6.6%
Total	\$117.2	\$123.7	\$138.0	\$14.3	11.6%	\$120.0	(\$3.8)	-3.0%
Expenditures By Source								
General Revenue	\$99.1	\$97.1	\$93.7	(\$3.4)	-3.5%	\$99.4	\$2.4	2.5%
Federal Funds	6.0	6.8	10.1	3.3	49.2%	9.3	2.5	37.4%
Restricted Receipts	6.6	11.2	25.5	14.3	128.1%	4.5	(6.7)	-60.2%
Other Funds	5.5	8.7	8.8	0.1	0.9%	6.8	(1.9)	-22.2%
Total	\$117.2	\$123.7	\$138.0	\$14.3	11.6%	\$120.0	(\$3.8)	-3.0%
Authorized FTE Levels	634.2	633.2	633.2	-	0.0%	610.2	23	3.6%

\$ 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 FY2017

The Budget reflects a 6.6 percent decrease in all funds for the State Police as compared to the FY2016 enacted level. Within this reduction, there are several notable expenditure changes.

The Budget increases \$1.3 million for personnel costs in the State Police program, primarily due to a recent arbitration award resulting in wage increases and substituting overtime pay for compensatory time within the Detective Unit. At the time of the enacted budget, the assumed salary increase was consistent with the COLA other state employees recently received (2.0 percent over three years, totaling 6.0 percent); however, the arbitration settlement resulted in a 10.0 percent COLA increase: 3.5 percent, 3.0 percent, and 3.5 percent for the contract years ending April 30, 2014, 2015, and 2016, respectively. This also includes financing to fill 26.0 Trooper positions as a result of the 2016 State Police Training Academy. This will not increase the Department's FTE cap as it is expected that these positions will become vacant as a result of expected and mandatory retirements that will occur in FY2017. This increase is offset by a \$5.6 million reduction in capital purchases and equipment expenditures originally budgeted from the Google settlement funds.

The Budget also includes \$118,727 for the Capitol Police program, primarily to provide overtime staff to the State House during the legislative session. The Department states that the additional funding is needed to cover any potential absences that may occur during the fiscal year due to an increase in the number of sick leaves and injured on duty cases.

The E-911 Division is implementing Next Generation 911 (NG-911), which will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The Department estimates the system will go live in September.

The revised FY2016 Budget includes the use of \$2.5 million in Google funds as a one-time appropriation towards the cost of overtime for the State Police budget. The State Police received approval by the

Department of Justice for the use of these funds as a means towards offsetting the COLA increase all sworn members received as a result the recent arbitration award.

The Budget reduces the authorized level of FTEs within the Department by 23.0 as compared to the FY2016 Enacted level of 633.2 FTEs. This reduction reflects the elimination of positions that have gone unfilled for an extended period of time.

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 revised FY2016 and FY2017 for the Central Management program, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$1,325,286
<i>Target and Other Adjustments</i>	
	5,940
Personnel	76,392
FY2017 Enacted	\$1,407,618

Personnel **\$76,392**

The Budget includes \$76,392 for pay grade and benefit increases throughout the Central Management 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 revised FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

E-911	General Revenue
FY2016 Enacted	\$5,377,414
<i>Target and Other Adjustments</i>	
	11,347
IT Systems Maintenance	188,900
Personnel	121,779
Next Generation 911	Informational
Surcharge Revenues	Informational
FY2017 Enacted	\$5,699,440

IT Systems Maintenance**\$188,900**

The Budget increases general revenue by \$188,900 for hardware and software purchases, and software maintenance contracts for both the E-911 and Next Generation 911 (NG-911) systems. The Budget primarily funds SONET ring connectivity (a server system which has the ability to switch data across multiple communication lines to allow data to be transmitted uninterrupted), Solacom and Guardian call routing hardware, and broadband service and geographic information system (GIS) contracts.

Personnel**\$121,779**

The Budget includes \$121,779, primarily for overtime costs and 4.0 promotions that occur in FY2016. To offset these increases, the Department holds 3.0 FTE positions vacant, consistent with the enacted budget, and includes 1.0 percent in turnover based on past turnover rates.

Next Generation 911**Informational**

The E-911 Division is undergoing a technology upgrade that will allow the program to implement Next Generation 911 (NG-911). This upgrade will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The system will use a Voice over Internet Protocol (VoIP) based network solution that allows a text message to be delivered to a 911 call center. As of May 15, 2014, the four largest wireless telecommunications carriers in the United States, T-Mobile, Verizon, Sprint and AT&T, which jointly have more than 90.0 percent of the wireless business, are now capable of transmitting NG-911 text messaging to any public safety answering point (PSAP) which has the technology to receive the messages.

E-911 expects to complete the necessary technology purchases and installation in FY2016 and subsequently implement the NG-911 system. Once the NG-911 network update is complete and the equipment has been installed, the Division expects to be able to receive and transfer NG-911 calls. Implementation will require testing the equipment and the training of telecommunicators as the process for receiving and transferring an NG-911 originated message differs significantly from a traditional phone call. The go-live date had been delayed due to the vendor's concerns relative to FCC requirements on transmission of 911 voice calls. This has been resolved and the vendor is continuing the network updates. The final technology component needed to complete the upgrade is the GIS system changes. This is in the final stages of being sole-source procured. The vendor has indicated that its system will be on-site in one month. At that time E-911 will begin its five-month implementation, testing, training, and rollout of NG-911 (September 2016 completion).

Surcharge Revenues**Informational**

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. The following table is a snapshot of surcharge collections, and general revenue expenditures for E-911. Beginning in FY2016, 10.0 percent of revenue collected through E-911 surcharges will be deposited into the Information Technology Investment Fund (ITIF) established in RIGL 42-11-2.5. The ITIF is used to acquire information technology hardware, software, consulting services, and ongoing maintenance contracts for state departments and agencies.

E-911 Revenues vs. Expenditures

Fiscal Year	Revenue	Expenditures	Deposit to ITIF	General Fund
				Total
2010	\$17,898,223	\$4,635,901	-	\$13,262,322
2011	17,248,460	4,829,770	-	12,418,690
2012	17,255,771	4,766,586	-	12,489,185
2013	17,507,117	5,103,735	-	12,403,382
2014	15,242,925	5,444,296	-	9,798,629
2015	17,641,856	5,320,615	-	12,321,241
2016*	17,291,915	5,499,050	1,571,992	10,220,873
2017*	17,355,594	5,699,440	1,577,781	10,078,373

*FY2016 and FY2017 revenue estimates are provided by the Office of Revenue Analysis; expenditures reflect the FY2016 Revised and FY2017 Budgets. The general revenue reduction in FY2016 and FY2017 reflects the transfer of 10.0 percent (\$1.6 million) of the surcharge revenue to the Information Technology Investment Fund (ITIF).

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Fire Marshal	General Revenue
FY2016 Enacted	\$3,250,543
<i>Target and Other Adjustments</i>	<i>(1,590)</i>
FY2017 Enacted	\$3,248,953

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 FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Municipal Police Training	General Revenue
FY2016 Enacted	\$254,667
<i>Target and Other Adjustments</i>	<i>9,079</i>
FY2017 Enacted	\$263,746

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 FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Security Services	General Revenue
FY2016 Enacted	\$22,680,304
<i>Target and Other Adjustments</i>	<i>36,344</i>
Personnel - Sheriffs Division	265,354
Overtime - Capitol Police	118,727
State Fleet Loan Repayments	62,183
FY2017 Enacted	\$23,162,912

Personnel – Sheriffs Division **\$265,354**

The Budget increases \$265,354 in personnel costs in the Sheriffs program, primarily due to the shift of 12.0 FTE positions from 35-hour to 37.5-hour work weeks. In the latest agreed upon labor “mini-contract” (2014), the Sheriffs labor contract stipulated that 12.0 Sheriff positions would be shifted from 35-hour to 37.5-hour work weeks as opposed to 6.0 Sheriff positions moving from 35-hour to 40-hour work weeks. Thus, the current contract recognizes three sets of Deputy-Sheriffs: 85.0 Sheriff positions working 35-hour weeks, 12.0 Sheriff positions working 37.5-hour weeks, and 61.0 Sheriff positions working 40-hour weeks.

Overtime – Capitol Police **\$118,727**

The Budget includes \$118,727 for the Capitol Police program, primarily to provide overtime staff at the State House during the legislative session. The Department states that the additional funding is needed to cover any potential absences that may occur during the fiscal year due to an increase in the number of sick leave and injured on duty cases.

State Fleet Loan Payments **\$62,183**

The Budget includes \$247,601 in general revenue for state fleet costs, an increase of \$62,183 over the enacted level, primarily due to the purchase of 15 new vehicles for the Sheriffs Division, including 4 vans and 2 midsize buses used to transport prisoners.

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 285.0 FTE positions in FY2017, a decrease of 23 positions from the enacted FY2016 Budget, reflecting one-third of the vacant positions resulting from mandatory retirement of Troopers.

State Police	General Revenue
FY2016 Enacted	\$64,172,279
<i>Target and Other Adjustments</i>	<i>221,288</i>
Personnel	1,265,912
Pension Trust Fund	Informational
56th State Police Training Academy	Informational
State Police Vehicles	Informational
Google Forfeiture Funds	Informational
FY2017 Enacted	\$65,659,479

Personnel**\$1.3 million**

The Budget increases \$1.3 million for personnel costs, primarily due to a recent arbitration award resulting in wage increases and substituting overtime pay for compensatory time within the Detective Unit. The FY2016 Budget as Enacted assumed a salary increase that would be consistent with the COLA other state employees recently received (2.0 percent over three years, totaling 6.0 percent); however, the arbitration settlement resulted in a 10.0 percent COLA increase: 3.5 percent, 3.0 percent, and 3.5 percent for the contract years ending April 30, 2014, 2015, and 2016, respectively. This also includes financing to fill 26.0 Trooper positions graduating from the 2016 State Police Training Academy. This will not increase the Department's FTE cap as it is expected that these positions will become vacant as a result of expected and mandatory retirements that will occur in FY2017.

Pension Trust Fund**Informational**

The FY2016 Budget as Enacted created a pension trust fund for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. The pension trust fund is being initially capitalized by one-time funding from the Google settlement awarded to the State Police. It is estimated that at a 7.5 percent rate of return this initial investment will achieve \$157.2 million in general revenue savings over the 77-year life of the plan. The use of the settlement funds requires approval by the U.S. Department of Justice (DOJ) Asset Forfeiture Program and in FY2016 the State Police sought and received permission to use the money to establish the pension fund. The revised FY2016 Budget includes \$15.0 million for this purpose.

56th State Police Training Academy**Informational**

The FY2016 Enacted Budget includes \$1.8 million (all funds) to finance the 56th State Police Training Academy, which began February 2016. The 22-week long program in FY2016 provides a \$14,300 stipend

and \$3,349 of additional personnel benefits for each recruit. The Budget also includes \$5,319 per recruit to purchase uniforms and for overhead costs. Additionally, the Budget authorizes the use of Google Forfeiture Funds in the amount of \$836,892 to finance equipment and additional services provided to the recruits during the academy.

Of the 35.0 recruits that began the State Police Academy in February 26.0 are on target to complete their training and are scheduled to be sworn in in July 2016. The 26.0 recruits are not included as part of the Department of Public Safety’s FTE authorization in FY2016 as the trainee troopers are not considered full-time equivalent (FTE) state employees until after they graduate. After graduating from the State Police Training Academy, the new Trooper is then placed on the State’s official payroll system receiving all benefits offered to sworn members of the State Police: including healthcare, holiday pay, accreditation bonuses, and overtime. Based on the schedule of the training academy, these Troopers will become FTEs in FY2017 and fill anticipated vacancies in the program.

FY2016 State Police Academy Costs

Item	General Revenue
Personnel Costs (During Academy - 22 Weeks)	\$705,962
Catering/Meals	152,616
Training Injuries	55,000
Beverages for Training Classes	5,150
Subtotal	\$918,728
	Google Funds
Clothing, Boots, Accessories	\$285,409
CF-31 Panasonic Laptops	184,370
Field Testing Expenses	135,130
Motorola Portable Radios	113,300
Police/Safety Supplies	83,753
Advertising	25,430
Laundry Services	7,000
Bus Transportation Services	2,500
Subtotal	\$836,892
Total	\$1,755,620

State Police Vehicles

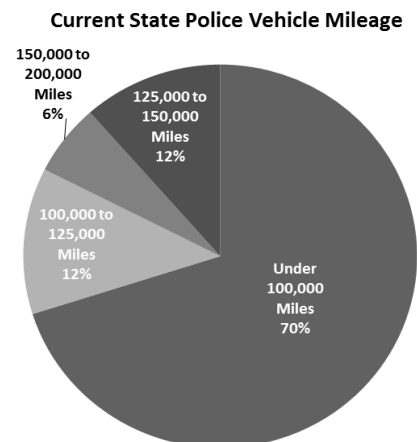
The Department currently has 348 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 29.9 percent (104 vehicles) are over 100,000 miles. The Department has been allotted \$307,752 from the State Revolving Loan Fund for vehicle purchases in FY2017. Purchasing new vehicles decreases vehicle maintenance costs. In FY2013, the Department purchased 154 new vehicles using Google forfeiture funds. The average useful life of these vehicles is 6.5 years.

The Budget increases \$73,564 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 \$1.7 million for the program in FY2017, consistent with past expenditure levels.

Google Forfeiture Funds

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing online Canadian pharmacies to place

Informational



advertisements through its AdWords program, targeting U.S. consumers. Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Attorney General's Office, \$45.0 million was allocated to the State Police, and \$5.0 million was allocated to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

The State Police received a total of \$45.0 million from the settlement. The Budget includes \$24.0 million in FY2016 and \$4.1 million in FY2017 from the balance of its award. Approximately \$24.5 million has been spent through FY2015, mostly on capital projects. Of the balance, \$15.0 million is obligated by the Rhode Island State Police to help seed a trust fund for the State Police pay-go pension, pending DOJ approval, while the remaining funds are scheduled to be used for capital construction projects referenced in the following section.

The Revised FY2016 Budget includes the use of \$2.5 million in Google funds as a one-time appropriation towards the cost of overtime for the State Police budget. The State Police received approval by the Department of Justice for the use of these funds as a means towards offsetting the COLA increase all sworn members received as a result the recent arbitration award.

Google Forfeiture Funds - State Police Expenditures								
Category	Budget	FY2013	FY2014	FY2015	FY2016	FY2017	Total Spent	Balance
Fleet	\$5,385,187	\$2,691,288	\$1,760,454	\$689,513	\$0	\$0	\$5,141,255	\$243,932
Capital Projects Hope Valley	2,500,000	-	-	-	-	-	-	2,500,000
Capital Projects Lincoln Woods Barracks	3,800,000	-	-	62	1,144,595	373,490	1,518,147	2,281,853
Capital Projects Computer Crimes Unit	400,550	-	-	24,591	20,711	-	45,302	355,248
Capital Projects Consolidated Academy	3,444,143	-	-	47,723	169,829	125,874	343,426	3,100,717
Capital Projects Training Academy Renovation	225,409	-	-	13,362	243,059	110,160	366,581	(141,172)
Asset Protection Building Repairs	29,886	-	-	2,200	67,272	-	69,472	(39,586)
Capital Projects Supply and Intelligence Project	2,082,807	-	-	2,082,807	28,194	-	2,111,001	(28,194)
Overtime	3,146,313	90,240	354,391	67,949	1,982,216	-	2,494,796	651,517
Personnel	1,000,000	-	-	-	566,773	-	566,773	433,227
Investigations	4,716	-	-	2,250	-	-	2,250	2,466
Recruitment	876,273	-	-	60,807	227,291	-	288,098	588,175
Technology	4,111,261	-	348,568	2,463,356	1,049,638	-	3,861,562	249,699
Pension Trust	15,000,000	-	-	-	-	15,000,000	15,000,000	-
Training	93,306	-	14,067	67,995	8,129	-	90,191	3,115
Equipment	2,603,024	-	935,974	338,924	924,784	-	2,199,682	403,342
Accreditation	100,000	-	50,000	-	-	-	50,000	50,000
Local Sharing	150,000	-	150,000	-	-	-	150,000	-
Community Outreach	684	-	-	-	-	-	-	684
Total	\$44,953,559	\$2,781,528	\$3,613,454	\$5,861,539	\$6,432,491	\$15,609,524	\$34,298,536	\$10,655,023

CAPITAL PROJECTS

The Budget includes a total of \$22.8 million in capital projects from FY2017 through FY2021, including \$10.9 million in restricted receipts from Google Forfeiture funds.

- The Consolidated Training Academy project 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 and \$9.8 million of Google funds (\$5.4 million in FY2017). Google funds previously approved by U.S. Department of Justice were used in FY2015 (\$176,932) to conduct a feasibility study.
- The Lincoln Woods State Police barrack is undergoing various upgrades to bring it up to date to meet Americans with Disabilities Act (ADA) requirements, upgrade security features, and to accommodate female troopers. The Budget includes RICAP funding of \$1.0 million in the revised FY2016 Budget along with \$1.5 million in Google forfeiture funds. It is expected that the project will be completed in FY2017 as the Budget includes \$500,000 in Google funds to complete the project.

- The Budget also includes RICAP funding of \$2.0 million in FY2016 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices in the existing portion of the Exeter facilities. “Phase 1” of this project was funded by general obligation bonds to construct a new four-acre burn pad, paved parking, outdoor burn props, and other “hands-on” portions of the training academy. \$900,000 for a feasibility study has also been added to this project for “Phase 3” planned construction for architectural and engineering services to add new office space for the Fire Marshal Office to be moved to after recently being relocated out of the Cranston Street Armory building due to inadequate working conditions.

Office of the Public Defender

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Public Defender	\$10.9	\$11.7	\$11.6	(\$0.1)	-0.7%	\$11.9	\$0.2	1.7%
Expenditures By Source								
General Revenue	\$10.8	\$11.6	\$11.5	(\$0.1)	-1.0%	\$11.8	\$0.2	1.4%
Federal Funds	0.1	0.1	0.1	0.0	44.0%	0.1	0.0	44.0%
Total	\$10.9	\$11.7	\$11.6	(\$0.1)	-0.7%	\$11.9	\$0.2	1.7%
Authorized FTE Levels	93.0	93.0	93.0	-	0.0%	93.0	-	0.0%

\$ 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 FY2017

The agency's budget is funded almost entirely by general revenues (99.1 percent). The Budget reflects salary and benefit requirements of the existing staff, including step increases and filling a part-time staff vacancy.

The Budget includes 93.0 FTE positions for the program in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$11,621,977
<i>Target and Other Adjustments</i>	13,998
Personnel	123,734
Court Cost Offsets	13,197
Property Related Costs	11,476
FY2017 Enacted	\$11,784,382

Personnel **\$123,734**

A \$123,734 increase in personnel costs comprises the bulk of the general revenue increase in FY2017, primarily due to the 2.0 percent for cost of living increases for existing staff. The amount also includes the cost of 1.0 part-time intake clerical FTE to support the full time intake staff.

Court Cost Offsets **\$13,197**

The Budget includes \$97,696 for courthouse fees, an additional \$13,197 over the enacted level, which the public defender's office pays to the Judiciary while occupying space in the courthouses. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied.

Property Related Costs

\$11,476

The Budget increases \$11,476 for an increase in rent and utilities payments due for the renewal of leased space at 160 Pine Street, Providence. The lease for the Public Defender's main office space was due to expire March 31, 2016, however, the lease has been extended for ten years through March 31, 2026.

Department of Environmental Management

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Office of Director	\$8.7	\$8.4	\$9.7	\$1.3	15.7%	\$9.1	\$0.7	7.8%
Bureau of Natural Resources	66.9	60.1	59.8	(0.3)	-0.4%	61.0	0.9	1.5%
Bureau of Environmental Protection	31.1	30.8	31.7	0.8	2.7%	32.7	1.9	6.1%
Total	\$106.7	\$99.3	\$101.2	\$1.9	1.9%	\$102.7	\$3.4	3.5%
Expenditures By Source								
General Revenue	\$36.1	\$37.6	\$38.4	\$0.8	2.0%	\$40.2	\$2.6	7.0%
Federal Funds	26.4	29.3	31.4	2.1	7.1%	29.7	0.4	1.4%
Restricted Receipts	12.2	18.4	19.5	1.1	6.0%	19.0	0.6	3.4%
Operating Transfers from Other Funds	14.3	14.1	12.0	(2.1)	-14.7%	13.8	(0.2)	-1.6%
Total	\$89.0	\$99.3	\$101.2	\$1.9	1.9%	\$102.7	\$3.4	3.5%
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 FY2017

The FY2017 Budget includes an all funds increase of \$3.4 million, or 3.5 percent from the FY2016 Budget as Enacted. The Budget includes a \$2.6 million (7.0 percent) increase in general revenue expenditures compared to the FY2016 Budget as Enacted, primarily due to the addition of \$2.0 million for the new Rhode Island Clean Diesel Fund established through Article 16.

The Budget looks to improve customer service through the addition of a new Chief Public Affairs Officer, through the re-purposing of 1.0 FTE position, to strengthen the Department's communications, marketing, and outreach functions, as well as increasing its presence in social media and digital platforms.

Through Article 5, the Budget includes a \$35.0 million Green Economy general obligation bond authorization for the November 2016 ballot to be allocated as follows:

- **Historic State Park Development Program:** The referendum provides \$4.0 million for major capital improvements to state-owned properties that will leverage funding from other sources such as the National Park Services' Land and Water Conservation Fund.
- **State Land Acquisition – Open Space:** The referendum adds \$4.0 million for state land acquisition. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. Previous bond proceeds are expected to be exhausted in FY2016.
- **State Bikeway Development Program:** The referendum provides \$10.0 million to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway.
- **Brownfield Remediation and Economic Development:** The referendum provides \$5.0 million to provide up to 80.0 percent in matching grants to public, private or non-profit entities for brownfield remediation projects.
- **Stormwater Pollution:** The referendum provides \$3.0 million to provide up to 75.0 percent in matching grants to public, private or non-profit entity projects that reduce stormwater pollution.

- **Local Recreation Grants:** The referendum provides \$5.0 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.
- **Local Land Acquisition:** The referendum provides \$4.0 million for grants providing up to 50.0 percent of project costs for municipalities, local land trusts, and non-profit organizations to acquire titles, development rights, or conservation easements of open spaces throughout the state. For the first time in the 30 year history of this program, DEM has depleted all the available funds.

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. Within the cap, the 2.0 FTE positions associated with the Bays, Rivers, and Watersheds Coordination Team, which was eliminated through Article 16 of the FY2016 Budget as Enacted, are re-purposed into a 1.0 FTE Chief Public Affairs Officer position and an 1.0 FTE Assistant Chief of Planning position.

Office of Director	General Revenue
FY2016 Enacted	\$5,162,770
<i>Target and Other Adjustments</i>	
	<i>(30,039)</i>
Operating Expenses	354,031
Community Service Grants	(321,428)
Chief Public Affairs and Assistant Chief of Planning Positions	Informational
FY2017 Enacted	\$5,165,334
Office of Director	
	Other Fund Changes
Regional Greenhouse Gas Initiative (restricted receipts)	\$494,888

Operating Expenses **\$354,031**

The Budget provides additional operating expenses in FY2017 due to a new ten-year lease for the DEM headquarters at the Foundry that will begin on July 6, 2016, (\$262,833); costs associated with the implementation of the Microsoft 365 software licenses (\$80,000); and, increased electricity costs (\$10,200). The additional electricity costs will bring expenditure levels up to the actual costs experienced in FY2015.

Community Service Grants **(\$321,428)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. The FY2017 Budget contains a line-item grant of \$200,000 for the North Providence drainage project, reflecting a total decrease of \$321,428 from the FY2016 Budget as Enacted.

Chief Public Affairs Officer and Assistant Chief of Planning **Informational**

The budget includes 2.0 re-purposed FTE positions, a Chief Public Affairs Officer and an Assistant Chief of Planning. The positions were previously charged to restricted receipts in the Bays, Rivers and Watershed program, which was eliminated through the FY2016 Budget as Enacted.

The Department indicates that the new Chief Public Affairs Officer will strengthen the Department's communications, marketing, and outreach functions, as well as increasing its presence in social media and digital platforms. The Assistant Chief of Planning position will assist the Director and senior staff with strategic planning and performance measures, as well as other special projects assigned by the Director.

While the Budget approved the re-purposing of the positions, no additional funding was provided; instead the Assistant Chief of Planning position will remain vacant. The Chief Public Affairs officer was filled October 4, 2015; consequently, the vacant Chief of Program Development position will remain unfilled.

Regional Greenhouse Gas Initiative (restricted receipts)

\$494,888

The Budget includes an additional \$494,888 in restricted receipts for climate change, energy efficiency and renewable programs. The Budget provides \$250,000 in Regional Greenhouse Gas Initiative (RGGI) funds for the Energy-Savings Tree Program (ESTP) that will provide grants to municipalities for tree planting on private property to limit the emission of greenhouse gasses by reducing the need for heating and cooling of homes. An additional \$200,000 will be used by the Rhode Island Farm Energy Program (RIFEP) to provide outreach and education to farmers about energy efficiency and renewable energy opportunities for agricultural operations. The RIFEP will reach out to farms that have not accessed energy efficiency and/or renewable energy projects due to their size or economic situation.

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.

Article 7 of the FY2015 Budget as Enacted amended 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 will provide at least \$300,000 each year for administrative/personnel costs for the DEM and OER. DEM currently spends about \$260,000 for administrative/personnel costs annually.

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the State's marine, freshwater, and upland resources. The Bureau administers the State's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The Budget provides 184.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Bureau of Natural Resources	General Revenue
FY2016 Enacted	\$20,671,723
<i>Target and Other Adjustments</i>	<i>202,503</i>
Personnel Costs	249,788
FY2017 Enacted	\$21,124,014

Personnel Costs**\$249,788**

The Budget provides additional funding over the FY2016 Budget as Enacted for personnel costs for step and longevity increases and to replace unachieved turnover in the FY2016 Budget as Enacted.

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Budget provides 176.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Bureau of Environmental Protection	General Revenue
FY2016 Enacted	\$11,751,892
<i>Target and Other Adjustments</i>	
Clean Diesel Program	165,537
FY2017 Enacted	\$13,917,429

Clean Diesel Program**\$2.0 million**

The Budget includes \$2.0 million for the new Rhode Island Clean Diesel Fund established within the Department of Environmental Management (DEM) through Article 16. The program is intended to reduce emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent of more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

CAPITAL PROJECTS

The Budget includes a total of \$8.2 million in capital expenditures from Rhode Island Capital Plan funds in FY2016 and \$10.6 million in FY2017, including:

- \$5.0 million in FY2016 and \$3.1 million in FY2017 for infrastructure and facility improvements at state parks and management areas. This project includes the design and construction of a new beach facility at Lincoln Woods State Park in Lincoln; the design and construction of improvements to Fisherman's Memorial Campground; the construction of a new shower/restroom facility at George Washington Campground in Glocester; and, asset protection projects such as roof replacement, waterline connections, and roadway repair. An additional \$1.0 million was added in the FY2016 Budget as Enacted for waterline updates at Colt State Park that include installing a new waterline from Poppasquash Road to the park headquarters, replacing fire hydrants, adding sprinklers, connecting two restrooms to the new water supply, and replacing water supply piping.
- \$502,435 in FY2016 and \$1.4 million in FY2017 for the Fort Adams Sailing Improvements project including the new Mid-Park Marine and Education center. In FY2017 there is also \$2.3 million in private funding for the center.

- \$100,000 in FY2016 and \$3.5 million in FY2017 for the Natural Resources Offices and Visitors' Center project. This project involves the construction of a new building in the Arcadia Management Area to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.
- \$20,000 in FY2016 and \$1.2 million in FY2017 for repairs to "high-hazard" state-owned dams. The Department has recently completed design of repairs for the two dams within the J. L. Curran Management Area in Cranston. The construction work on the upper dam began in the spring of 2014 and was completed December 2014. The Lower Curran dam is next on the priority list.

Coastal Resources Management Council

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Coastal Resources Management Council	\$4,669,180	\$5,669,383	\$5,257,098	(\$412,285)	-7.3%	\$7,322,525	\$1,653,142	29.2%
Expenditures By Source								
General Revenue	\$2,313,282	\$2,433,260	\$2,421,855	(\$11,405)	-0.5%	\$2,452,438	\$19,178	0.8%
Federal Funds	1,876,791	2,614,348	2,585,243	(\$29,105)	-1.1%	4,148,312	\$1,533,964	58.7%
Restricted Receipts	180,733	250,000	250,000	-	-	250,000	-	-
Other Funds	298,374	371,775	-	(\$371,775)	-100.0%	471,775	\$100,000	26.9%
Total	\$4,669,180	\$5,669,383	\$5,257,098	(\$412,285)	-7.3%	\$7,322,525	\$1,653,142	29.2%
Authorized FTE Levels	29.0	29.0	29.0	-	-	29.0	-	-

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

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the state. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 Budget for CRMC includes an all funds increase of \$1.7 million (29.2 percent) from the FY2016 Budget as Enacted. This increase includes a general revenue increase of \$19,178, reflecting statewide benefit and target adjustments, a federal funds increase of \$1.5 million, and an increase of \$100,000 in other funds. The Budget includes 29.0 FTE positions in FY2016 and FY2017 for CRMC, level with the FY2016 Budget as Enacted.

The increase in federal funds from FY2016 is primarily due to the carryforward of a federal grants to enhance the salt marsh in Ninigret Pond (\$2.6 million is shifted from FY2015 to FY2017).

Central Management	General Revenue
FY2016 Enacted	\$2,433,260
Target and Other Adjustments	19,178
Federal Funds	Informational
FY2017 Enacted	\$2,452,438

Federal Funds Informational

Federal funds increase by \$1.5 million in FY2017 due primarily to the carryforward of federal grant award to enhance salt marsh in Ninigret Pond: \$2.6 million is shifted from FY2015 to FY2017. Funding from the National Fish & Wildlife Service of the United States Department of the Interior will restore 30.0 acres of salt marsh in Ninigret Pond and develop two designs for salt marsh restoration in the same area. This grant requires a non-federal state match of \$321,775 which is provided in RICAP funds through the South Coast Restoration project in the Governor's Capital Budget.

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$471,775 in FY2017 for capital projects, including the following:

- ***South Coast Restoration Project:*** The Budget provides RICAP funding of \$321,775 in FY2017 to match the federal National Fish & Wildlife Service grant for sediment removal and habitat restoration in Ninigret Pond.
- ***Coastal Storm Risk Study:*** In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. In FY2017, the Budget provides \$150,000 in RICAP funds as the state share for the cost of the study being conducted by the USACE. Through the North Atlantic Coast Comprehensive Study (NACCS), the USACE identified nine high-risk areas on the Atlantic Coast for a more in-depth analysis into potential management solutions to reduce the coastal storm risk to the existing shorefront development. The study breaks Rhode Island into two planning reaches or zones. The first reach covers the Narragansett Bay area, starting at the Massachusetts border and ending at Point Judith. The second reach encompasses the south shore, including South Kingstown, Charlestown, and Westerly.

Department of Transportation

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$10.9	\$10.7	\$12.6	\$1.9	17.8%	\$9.2	(\$1.5)	-14.2%
Infrastructure-Engineering	349.6	375.5	384.2	8.7	2.3%	367.9	(7.6)	-2.0%
Infrastructure-Maintenance	54.6	73.0	82.3	9.3	12.7%	99.3	26.3	36.0%
Management and Budget	0.5	4.5	3.7	(0.8)	-18.4%	3.0	(1.5)	-33.6%
Total	\$415.6	\$463.8	\$482.9	\$19.0	4.1%	\$479.5	\$15.6	3.4%
Expenditures By Source								
Federal Funds	\$267.7	\$263.6	\$274.3	\$10.6	4.0%	\$272.4	\$8.8	3.3%
Restricted Receipts	2.4	1.0	0.2	(0.8)	-84.0%	0.2	(0.8)	-82.0%
Other Funds	145.6	199.2	208.4	9.2	4.6%	206.9	7.7	3.8%
Total	\$415.6	\$463.8	\$482.9	\$19.0	4.1%	\$479.5	\$15.6	3.4%
Authorized FTE Levels	752.6	752.6	752.0	(0.6)	-0.1%	701.0	(51.6)	-6.9%

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

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 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 traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget allocates a total of \$479.5 million to RIDOT, an increase of \$15.6 million from the FY2016 Budget as Enacted (3.4 percent). The Budget includes an FTE authorization of 741.0, a decrease of 11.6 FTE positions relative to the FY2016 Budget as Enacted, reflecting the transfer of positions to the Department of Administration, including 3.0 FTE positions to the Division of Capital Asset Management and Maintenance and 8.0 FTE audit positions to the Office of Management and Budget.

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. To address this problem, the 2014 General Assembly passed Article 21, which makes several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019. (See Sustainable Transportation Funding below)

On December 4, 2015, President Obama signed into law the Fixing America’s Surface Transportation Act, or “FAST Act.” The \$305 billion, five-year bill, is funded without increasing the federal gas tax and is the

first law enacted in over ten years that provides long-term funding certainty for surface transportation, meaning States and local governments can move forward with critical transportation projects, like new highways and transit lines, with the confidence that federal funding is available.

RhodeWorks

2016-S-2246 - “The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016,” also known as “RhodeWorks,” does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on large commercial trucks traveling on Rhode Island bridges raising a minimum of \$45.0 million annually, assuming a 25.0 percent diversion rate. Revenue collected under the tolling provision will be deposited into a newly established Rhode Island Bridge Replacement, Reconstruction, and Maintenance Fund, to be used for the replacement, reconstruction, maintenance, and operations of bridges, and for costs associated with operation and maintenance of toll facilities.
- Allows for the refinancing and restructuring of existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds would have an expected term of fifteen years and be repaid from future Federal Highway Administration (FHWA) funds. The FAST Act increases federal funding for states for surface transportation infrastructure improvements for five years. RIDOT estimates future federal funding increases based on these increased FAST Act amounts. The enhanced federal funding allows for the issuance of GARVEE bonds: a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

RhodeWorks allows RIDOT to assess tolls on commercial trucks Class 8 or larger.

The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on passenger vehicles can take effect until it has been approved by the majority of voters in a statewide referendum.

The Department estimates that toll gantry construction will begin early next year and the first location could start tolling at the end of 2017 (FY2018), depending on the construction schedule.

GARVEE refinancing and the new GARVEE issuances are independent processes, as they are not dependent on toll revenue. The Department refinanced existing GARVEE bonds in June 2016, resulting in the availability of \$129.0 million.

This legislation authorizes the Rhode Island Turnpike and Bridge Authority (RITBA) to enter into contracts with the state to operate or manage toll facilities on state roads or bridges that are not owned, leased or under the control of the Authority. However, the legislation provides clarity that any revenue generated by facilities under the control of RITBA shall only be used for the purposes of RITBA, effectively restating

RhodeWorks Proposal - 5 years	
Maximum Toll Through State	\$20 one way
Number of Tolling Locations	14 locations
Projected Annual Toll Revenue	\$45.0 million
Projected Annual Operating Cost	\$4.4 million
Toll Revenue (FY2016-FY2020)*	\$135.0 million
Operating Cost (FY2016-FY2020)*	\$13.2 million
Toll Gantry Pay-go Construction	\$38.0 million
Pay-Go (FY2016-FY2020)	\$83.8 million
Anticipated Federal Increase	\$102.7 million
Anticipated GARVEE Debt Service	\$64.0 million
Anticipated Unallocated Federal Funds	\$38.7 million
Federal GARVEE Bond - New Money	\$300.0 million
Federal GARVEE Bond - Refinance	\$120.0 million
Benefits - First 5 years	\$542.5 million

*Tolling begins in FY2018

that tolls collected on the Newport/Pell Bridge may only be used for project costs associated with maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

Reorganization

Article 15 of the FY2016 Budget as Enacted changed the organizational functions of RIDOT by establishing a project management-based program and an asset management system.

The amendment also allowed the Director to establish divisions that he/she deems necessary to carry out the responsibilities of the department, including:

- Office of Audit
- Division of Finance
- Division of Planning
- Division of Project Management
- Division of Operations and Maintenance
- Office of Civil Rights
- Office of Safety
- Office of External Affairs
- Office of Legal
- Office of Personnel
- Office of Information Services

Article 15 required the Director of RIDOT to appoint a chief operating officer, and repealed the requirement that the deputy director of the Department of Transportation be a highway engineer.

RIDOT will now be required to report annually on the status of its 10-year transportation plan to the Speaker of the House, the President of the Senate, and the House and Senate fiscal advisors no later than March 31.

Article 4 of the FY2017 Budget repeals the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. As part of this new reorganization the DOT will be transferring 7.0 FTEs from its External Audit Division.

Sustainable Transportation Funding

The FY2015 Budget as Enacted provides a long-term solution to funding of road and bridge maintenance by making several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019.

- Transfers existing revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account (HMA), which began in FY2015.
- Imposes a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee. The additional funds will be deposited into the HMA, which began in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, which began in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, which began in FY2016.

- Adjusts the gasoline tax every two years according to the consumer price index to the nearest cent beginning in FY2016; however, the tax cannot go below the current amount of 33 cents per gallon.
- Requires that any funds remaining from previous general obligation bond issues that have not been otherwise allocated shall be transferred from the Intermodal Surface Transportation Fund to the HMA. This is estimated to be \$10.0 million in FY2015 and \$7.0 million in FY2016.
- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge and transfers 3.5 cents of the gasoline tax to the RITBA for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Debt service expenses, which were being shifted to general revenue funds under the Department of Administration (DOA) budget, will be paid from the increased general revenue transferred to RIDOT.
- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account (HMA)

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF).

State Matching Funds (Federal Program): To eliminate the State's reliance on borrowing for the federal funds match, the FY2012 Budget as Enacted included surcharges on driver's licenses and registrations for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014). The surcharges are deposited into the HMA to be used as part of the state match towards the department's federal highway program funds. 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).

Prior to FY2013, the State matched Federal highway fund with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bond issues was paid with gas tax revenue, and as a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance expenditures.

State Matching Funds	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Increase Two-Year Registrations by \$30	\$7.4	\$10.9	\$10.9	\$10.9	\$10.9	\$10.9
Increase One-Year Registrations by \$15	1.5	2.3	2.3	2.3	2.3	2.3
Increase License Fees by \$30	2.5	3.6	3.6	3.6	3.6	3.6
Total Additional Revenue	11.4	16.8	16.8	16.8	16.8	16.8
2010 G.O. Bonds - Issued	7.6	-	-	-	-	-
RICAP	21.0	23.2	23.2	23.2	23.2	23.2
Total State Match for Federal Funds	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

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

Analyst's Note: In addition to the fee increases, RICAP funding and funds from previously issued General Obligation bonds are used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

Additional HMA Resources: The FY2015 Budget as Enacted provides additional funding for transportation projects through increased deposits into the HMA, including:

- A surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee, which began in FY2015.

- An increase in the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, which began in FY2015.
- Transfers existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account

<i>New Fees and Surcharges</i>	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Motor Vehicle Registration and License	\$11.4	\$16.8	\$16.8	\$16.8	\$16.8	\$16.8
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Good Driving Surcharge (Increase of \$25)	0.4	0.4	0.4	0.4	0.4	0.4
Total New Fees Charges	\$16.6	\$23.1	\$23.2	\$23.3	\$23.4	\$23.5
<i>Existing General Revenue being Transferred to the Highway Maintenance Account</i>						
Motor Vehicle Registration and License	\$0.0	\$13.0	\$38.8	\$49.6	\$48.8	\$48.3
Motor Vehicle Title	9.2	9.3	8.8	8.4	8.3	8.4
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Rental Car Surcharge	2.9	2.9	3.0	3.0	3.0	3.1
Total Revenue Transferred from General Fund	\$17.0	\$31.2	\$56.6	\$67.0	\$66.3	\$66.1
Total Revenue to Highway Maintenance Account	\$33.6	\$54.3	\$79.9	\$90.3	\$89.7	\$89.5

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by 32.5 cents of the State's 33.0 cent per gallon gasoline tax. In FY2014, RIDOT received 21.75 cents of this tax, with RIPTA/DHS receiving 10.75 cents. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance operations, capital expenditures and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT's share of the gasoline tax to 18.25 cents per gallon.

Beginning in FY2016, and every two years thereafter, the tax will be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U), adjusted to the nearest 1.0 cent increment (1.0 cent increase in FY2016). In FY2016 and FY2017, the motor fuel tax is expected to generate \$4.4 million and \$4.3 million, respectively, per penny in revenue, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$83.4 million in FY2017).

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Year	Per Penny Yield
2007	\$4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014	4,236,402
2015	4,397,823
2016*	4,367,305
2017*	4,332,792

*Dept. of Revenue estimate

	General Revenue	DOT / Highway	RIPTA / Transit	RI Turnpike and Bridge Authority	Underground Storage Tank (UST) Fund	Total
FY2009	\$0.0100	\$0.2075	\$0.0875	\$0.0000	\$0.0050	\$0.3100
FY2010	-	0.2175	0.1075	-	0.0050	0.3300
FY2011	-	0.2175	0.1075	-	0.0050	0.3300
FY2012	-	0.2175	0.1075	-	0.0050	0.3300
FY2013	-	0.2175	0.1075	-	0.0050	0.3300
FY2014	-	0.2175	0.1075	-	0.0050	0.3300
FY2015	-	0.1825	0.1075	0.0350	0.0050	0.3300
FY2016	-	0.1925	0.1075	0.0350	0.0050	0.3400
FY2017	-	0.1925	0.1075	0.0350	0.0050	0.3400

The following table shows the use of motor fuel tax revenue in FY2015:

Motor Fuel Tax Use (FY2015)	Revenue	Percent of total revenue
Transit Operations (RIPTA/DHS)	\$46.2	31.7%
G.O. Bond Debt Service (DOT)	46.2	31.6%
Operating (DOT)	25.0	17.1%
GARVEE Debt Service (DOT)	8.6	5.9%
Other Operations (DOT)	2.8	1.9%
Turnpike and Bridge	15.0	10.3%
UST Fund	2.1	1.5%
Total - Estimated¹	\$146.0	100.0%

¹Includes \$3.9 million Carry Forward Balance
\$ in millions.

Federal Funding – FAST Act

The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration's Highway Trust Fund (HTF). These funds are primarily used to build the State's infrastructure and require a 20.0 percent state match. Although the Highway Trust Fund was intended to be self-sustaining through a federal gasoline tax of 18.4 cents per gallon and a diesel tax of 24.4 cents per gallon, approximately \$64.0 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. The taxes have not been raised since 1993, and inflation has eroded their value.

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the third highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.96), behind only Washington D.C. and Alaska.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called "Moving Ahead for Progress in the 21st Century (MAP-21)." 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.

An impending shortfall of the fund was expected to occur in September 2014, however the United States Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through May 31, 2015. Congress approved an additional 2-month extension, extended the program through July 31, 2015. Because of the multi-year

nature of the Highway Improvement Program, the Rhode Island Department of Transportation continues to work on plans to cope with a lack of a long-term funding solution at the federal level. Based on the uncertainty at the federal level, the Department of Transportation's federal highway financing budget, as compared to the enacted budget, reflects a conservative approach to expected funds along with various changes to statewide project construction schedules and the completion of projects.

On December 4, 2015, the Fixing America's Surface Transportation (FAST) Act was signed into law authorizing Federal Highway, highway safety, transit, and rail programs for five-years from FFY2016 through FFY2020. The FAST Act provides Rhode Island with an average of \$229.8 million annually, an additional \$102.7 million in Federal Highway funding over the next five years, relative to the MAP-21.

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.

Other funds increase by \$411,705 due primarily to personnel salaries and benefits (\$389,505).

Federal funds within Central Management decrease by a net of \$1.9 million in FY2017, reflecting changes in several federal grants. FTE positions decline due to the consolidation of audit, construction, property, and asset management functions within the Department of Administration (DOA).

Federal Grant	FY2016	FY2017	Change
	Enacted	Enacted	
Min. Penalties for Repeat Offenders DWI or DI	\$3,200,000	\$898,483	(\$2,301,517)
NHTSA ¹ - State and Community Highway Safety Program	2,500,000	2,053,031	(446,969)
Primary Seatbelt Law	100,000	575,000	475,000
NHTSA - Alcohol Impaired Driving Countermeasures	100,000	300,000	200,000
NHTSA - Occupant Protection Incentive Grant		54,040	
NHTSA - Motorcyclist Safety Grant	50,000	50,000	0
Fatality Analysis Reporting System	40,000	40,000	0
NHTSA - MAP-21-405 Funds	2,000,000	2,090,068	90,068
NHTSA - State Traffic Safety Information System	500,000	500,000	0
NHTSA - Child Safety and Booster Seat Incentive	50,000	50,000	0
Total	\$8,540,000	\$6,610,622	(\$1,983,418)

¹NHTSA - National Highway Traffic Safety Administration

The grant for Minimum Penalties for Repeat Offenders DWI or DUI is now being managed by the FHWA, instead of the NHTSA; consequently, the funding now appears in a different account. These funds continue to be used for structural safety projects and data collection.

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all RIDOT projects. The Transportation Development division assigns projects to a manager, who

remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

Infrastructure - Engineering	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Federal Funds	\$255.1	\$265.4	\$10.3	4.0%	\$265.8	\$10.7	4.2%
Restricted Receipts	1.0	0.2	(0.8)	-84.0%	0.2	(0.8)	-82.0%
Other Funds	119.5	118.7	(0.8)	-0.7%	102.0	(17.5)	-14.7%
Total	\$375.5	\$384.2	\$8.7	2.3%	\$367.9	(\$7.6)	-2.0%
Authorized FTE Levels	432.0	400.0	(32.0)	-7.4%	395.0	(37.0)	-8.6%

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

Federal funding for the Infrastructure-Engineering program for FY2016 increases by \$10.7 million from the FY2016 Budget as Enacted, primarily attributable to an increase of \$60.2 million in Federal Highway Administration Funds based upon revised expenditure projections and scheduling of various highway projects. This increase is partially offset by other federal fund decreases including a \$40.0 million decrease in FHWA pledged transfers due to the refinancing of GARVEE debt and a \$14.5 million decrease in federal funds for the Kingston Track Capacity Platform Improvement Rail Project.

Restricted receipts decrease by \$819,781, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program. Other funds decrease by \$17.5 million primarily due to a decrease of \$7.8 million in revenue available from the sale of land associated with the relocation of I-195, a \$885,096 decrease in gas tax transfers to RIPTA due to a decrease in projected gas tax revenue, and a decrease of \$7.5 million in RICAP funded highway projects.

The budget includes 40.0 previously vacant administrative FTE positions that are reclassified to in-house maintenance FTE positions to prevent the infrastructure from falling into disrepairs and to address drainage needs.

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 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 authorized RIEDC (now RI Commerce Corporation) 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, the project being paid for with bond proceeds will continue through FY2017, based on the Department's projected expenditures. For FY2016 the Budget

ads Enacted included \$9.3 million in proceeds from the sale of land made available from the relocation of I-195. The budget includes \$1.5 million in expenditures from bond proceeds in FY2016 and FY2017.

Highway Improvement Program

The Highway Improvement Program (HIP) includes those highway and intermodal projects which use federal funds administered by the Federal Highway Administration (FHWA). The federal funds typically require a 20.0 percent state match, which in previous years was funded by general obligation bond proceeds, and due to recent changes in law, will be funded through vehicle registration fees and RICAP funds. Other funding sources for the HIP include gas tax proceeds for debt service on motor fuel revenue bonds (which were used as the state match for GARVEE bonds), residual earnings from GARVEE bonds, and revenue from land sales.

The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council (SPC). 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 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 SPC is expected to act on a ten-year TIP in September 2016, and to follow a new process for annual updates going forward.

Highway Improvement Program - Major Projects

Providence Viaduct: RIDOT successfully secured \$10.0 million through the American Recovery and Reinvestment Act's (ARRA) Transportation Investment Generating Economic Recovery (TIGER) grant program. 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.

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 Federal Highway Administration (FHWA) allocation; this amount is \$12.3 million in FY2016 and \$12.6 million in FY2017, reflecting a decrease of \$40.3 million and \$40.0 million respectively from the FY2016 Budget as Enacted. These amounts reflect a significant decrease due to the refinancing of these bonds under RhodeWorks.

In Article 36 of the FY2004 Budget as Enacted, the General Assembly passed a Public Corporation Debt Management Joint Resolution authorizing the issuance of Motor Vehicle Tax Revenue 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	7.4	86.5
Freight Rail Improvement Project (FRIP)	31.7	203.5	235.2
Total	\$620.1	\$759.2	\$1,379.3

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

Two of the GARVEE-funded projects have been completed (Freight Rail Improvement Program and Phase II, Route 403). The I-195 Relocation project is 85.0 percent complete, requiring finish work and landscaping. The total estimated cost to complete this project is \$38.0 million, with \$5.0 million from GARVEE proceeds and \$30.0 million from land sales. The Washington Bridge project will be completed in FY2016. The total estimate to complete this project is \$27.4 million funded with GARVEE proceeds. GARVEE proceeds of \$9.6 million are available for the demolition of the old Sakonnet River Bridge, with an additional \$2.3 million of other Federal funding for finish work on the new Sakonnet River Bridge.

Analyst's Note: These projects are substantially completed, however, debt service on the GARVEE Bonds, which are paid through the FHWA allocation, will continue through FY2024 with a refinancing anticipated to be completed in June 2016. Debt Service on the motor vehicle tax revenue bonds, which are financed through a two-cent dedication of RIDOT's gasoline tax allocation, will continue through FY2027.

INFRASTRUCTURE - MAINTENANCE

The Maintenance program provides routine maintenance for all state roads and bridges. It oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within state right-of-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	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Enacted	Change from Enacted	
Other Funds	\$54.6	\$73.0	\$80.3	\$7.3	10.0%	\$98.3	\$25.3	34.6%
Authorized FTE Levels	222.0	222.0	252.0	30.0	13.5%	252.0	30.0	13.5%

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

For FY2017, the Budget includes an increase of \$26.3 million in other funds, including an increase of \$5.1 million for winter maintenance and vehicle maintenance costs, \$25.0 million for roads, bridges and parking lots made available from the transfer of transportation related fees to the Highway Maintenance Account, and \$2.0 million to be transferred to the Rhode Island Public Transit Authority as a result of legislation passed in 2014. These increases are partially offset by a decrease of \$6.4 million in maintenance costs and \$2.8 million in the Rhode Island Highway Maintenance Funds portion of the state match for Federal Highway funds.

The Budget includes 40.0 previously vacant administrative FTE positions that are reclassified to in-house maintenance FTE positions to prevent the infrastructure from falling into disrepairs and to address drainage needs. The Budget includes an increase of \$3.1 million in salaries and benefits primarily due to the transfer of 30.0 of the previously vacant positions into the program.

Drainage Repair, Improvement, and Preservation

The Budget includes \$3.7 million in FY2016 and \$5.0 million in FY2017 from the Highway Maintenance Account to establish a Drainage Repair, Improvement, and Preservation program. 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.

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. Unlike in past years, there were no adjustments applied to these rates to cover fuel costs. Since FY2012, the Department has 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 allows the vendors to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

Analyst Note: To date, no vendors have taken advantage of the Department's Green Equipment Incentive.

Material Cost

Salt and sand costs are dependent on contract and market prices. The current average cost for salt is \$58.00 per ton, including delivery. Sand is very inexpensive, by comparison, costing approximately \$18.00 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 \$0.25 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	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from Enacted	FY2017 Enacted	Change from Enacted
Other Funds	\$0.5	\$4.5	\$3.7	(\$0.8) -18.4%	\$3.0	(\$1.5) -33.6%
Authorized FTE Levels	55.0	55.0	51.0	(4.0) -7.3%	47.0	(8.0) -14.5%

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

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The decrease of \$1.5 million is due primarily to the scheduling of two technology projects. The budget provides funding to upgrade the Financial Management System (FMS) including \$1.0 million in FY2016 and \$200,000 in FY2017. The upgrade is required for the FMS to remain supported with Oracle and to avoid interruption of services. The Budget also provides funding to upgrade the Project Management Portal (PMP) System. The PMP is a custom internet application for addressing all phases of design and construction projects. The application is viewable by the public with special access provided to RIDOT

employees, contractors and consultants. The Budget provides \$1.0 million in FY2016 and \$300,000 in FY2017 for this project.

FTE positions decline due to the consolidation of audit, construction, property, and asset management functions within the Department of Administration (DOA).

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 Budget includes Rhode Island Capital Plan (RICAP) funding of \$400,000 in FY2017 to repair and renovate existing state highway maintenance facilities. Funds will be used for roof replacements at the Midstate facility and the Anthony garage, conversion of the Belleville maintenance facility's heating system from oil to natural gas, and installation of a backup generator at the Middletown maintenance facility. In FY2016, \$622,710 in 2004 bond proceeds is dedicated to the project.

Portsmouth Facility: The Budget includes \$2.1 million in general obligation bond funds, \$3.2 million in RICAP funding and \$741,056 in motor fuel tax revenues through FY2018 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 Budget includes \$1.0 million of RICAP funding annually in FY2016 and FY2017 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.

Vehicle Equipment Replacement Plan: The Budget includes \$19.0 million in RICAP funds, along with \$17.5 million in motor fuel tax revenue and \$3.5 million from the State Fleet Replacement fund, through FY2021, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department, to replace its aging fleet. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Train Station Maintenance and Repairs: The Budget includes \$2.2 million in RICAP funds through FY2021 for major capital repairs, including HVAC and roofing repairs, at train stations in Woonsocket, South Kingstown, and Westerly, which RIDOT is responsible for.

Rhode Island Public Transit Authority

Revenues by Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from FY2016	
	Actual	Enacted	Revised ¹	FY2016	Enacted	Board ²	Revised	
Motor Fuel Tax	\$41.6	\$44.2	\$43.5	(0.6)	-1.5%	\$44.0	0.5	1.2%
Passenger Revenue	24.9	21.6	21.5	(0.2)	-0.8%	23.8	2.4	11.0%
Special Revenue	0.9	1.1	1.1	-	0.0%	1.2	0.1	9.9%
Other Revenue	11.3	11.0	11.5	0.4	4.1%	11.0	(0.5)	-4.4%
Federal Funds	19.8	22.5	23.1	0.6	2.7%	24.7	1.6	6.7%
State Highway Fund Revenues	-	2.7	2.7	-	0.0%	4.0	1.3	46.5%
General Revenue Appropriation	-	2.0	2.0	-	0.0%	-	(2.0)	-100.0%
Total	\$98.5	\$105.2	\$105.4	\$0.2	0.2%	\$108.7	\$3.3	3.1%
Expenditures by Category								
Salaries, Wages, and Benefits	\$71.3	\$74.2	\$74.1	(\$0.1)	-0.1%	\$74.9	\$0.8	1.0%
Contract Services	9.1	10.5	10.5	0.1	0.5%	11.2	0.6	6.0%
Operating Costs	13.7	13.8	13.7	(0.1)	-0.7%	15.4	1.7	12.6%
Utilities	2.0	1.8	1.5	(0.3)	-16.2%	2.0	0.5	31.8%
Insurance and Settlements	5.2	4.8	4.5	(0.3)	-5.3%	5.1	0.6	13.1%
Capital Match	-	0.2	0.2	-	0.0%	0.1	(0.1)	-49.2%
Revolving Loan Fund	-	0.5	0.5	-	0.0%	0.7	0.2	40.9%
Self-Insurance Reserve	-	0.3	0.3	-	0.0%	0.3	-	0.0%
Other	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Total	\$101.3	\$106.0	\$105.3	(\$0.6)	-0.6%	\$109.6	\$4.3	4.1%
Surplus/(Deficit)	(\$2.9)	(\$0.8)	\$0.1			(\$0.9)		
Authorized FTE Levels	817.0	817.0	817.0	-	0.0%	818.0	1.0	0.1%

¹ The FY2016 Revised Budget was approved by the Board on February 22, 2016, and encompasses recent revenue changes including additional federal funding provided by the FAST Act, revenue from a pilot program with BHDDH, offset by a decrease in the gas tax. Expense projections have decreased by \$648,480 since the original budget submission.

² The FY2017 Budget as Enacted included \$900,000 in general revenue support for RIPTA's operating expenses. The Board had adopted its FY2017 Budget prior to the enactment of the State's Budget.

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhance air quality

RIPTA operates and maintains two facilities in Providence and one in Newport.

MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 Budget approved by the Board for submission to the State Budget Office reflected a deficit of \$2.7 million.

Passenger revenue increases by \$2.4 million in FY2017 from the FY2016 Revised Budget, and reflects an additional \$2.1 million in revenue from student passes as the City of Providence has changed its policy to

busing students living 2.0 miles from their school. Previously, the limit for receiving bus passes was 2.5 miles. However providing this service has increased RIPTA labor costs by \$350,000.

Only the pay-go portion of Other Post-Employment Benefits (OPEB) for retired RIPTA employees is included in the Budget proposal. The total unfunded OPEB liability as of June 30, 2015, is \$50.3 million.

The Budget includes a one-time appropriation of \$900,000 in general revenue to support RIPTA's operating expenses and offset one-half year's worth of fare box losses associated with permitting seniors and disabled riders to ride for free. The FY2016 Budget as Enacted included a provision which authorized RIPTA to begin charging half-fares starting July 1, 2016 to senior and disabled riders, who previously rode for free. RIPTA retains this authority; however, the Board has indicated that it will hold off on the increase until January 1, 2017.

Article 21 Funding: The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account was \$2.8 million in FY2016. For FY2017, RIPTA expects its share of this account to increase by \$1.2 million to \$4.0 million as the percentage of motor vehicle related fees transferred into the HMA increases from 25.0 percent to 75.0 percent.

Decline in non-emergency medical trips: RIPTA continues to experience a decline in revenues from the Medicaid program. Effective May 1, 2014, all non-emergency medical transportation services for Medicaid beneficiaries and individuals over the age of 60, who do not have access to transportation for critical appointments and services are being coordinated by Logisticare, a transportation broker hired by the Executive Offices of Health and Human Services (EOHHS). The RIde program (Paratransit), through RIPTA, is now just one of twenty vendors subcontracted by Logisticare to provide transportation services.

On December 1, 2014, LogistiCare implemented the RIte Care Program Change. At that point LogistiCare began distributing RIPTIKS (single ride passes) to riders instead of Rhody 10 passes. Rhody 10 passes and monthly passes for RIte Care customers are no longer distributed in grocery stores; instead, RIte Care customers must contact LogistiCare to request passes for medical appointments. Passes for the requested number of trips are mailed to the customer. As a result of the RiteCare and Logisticare program changes, RIPTA experienced a \$3.6 million revenue reduction in FY2015 and expects a \$5.9 million deficit in F2016.

Given the reduction in Paratransit revenues, efforts have been made to reduce expenses and increase efficiency in the program. The number of budgeted van operators has fallen from 130 to 122. Split shifts have been implemented and overtime is not included in the budget for Paratransit drivers.

Fare Changes/Reduced Fare Program

RIPTA launched a comprehensive fare study, in March of 2015, to review all fare products offered to customers as well as the rates that are charged. RIPTA hired LTK Engineering Services of Ambler, Pennsylvania, to help conduct the necessary research. The goal of the fare study was to simplify fare products; improve reliability of fare media; introduce needed products; make boarding a bus fast, convenient and reliable; implement new fare technologies; and maximize revenue and ridership. Without the new fare structure, RIPTA faced a projected operating deficit of approximately \$2.6 million in FY2016 and \$4.4 million in FY2017, and each year thereafter.

In June 2015, the General Assembly passed Article 22, as part of the FY2016 Budget. This article, which amends RIGL 39-18-4: Powers and duties of the authority, authorizes RIPTA to charge half-fares to senior and disabled riders, who previously rode for free. RIPTA asked LTK to include this authorization into the fare study.

The fare structure was proposed from four scenarios that were presented at community meetings during the month of October. The fare study recommends implementing changes in two phases:

- Phase 1, which began on March 1, includes fare simplification and fare revenue recovery. Changes to the reduced fare pass program, including the issuance of new reduced-fare cards to qualified riders will

begin on July 1, 2016. A proposal to extend the half fare to all seniors, regardless of income, has been removed from the proposal.

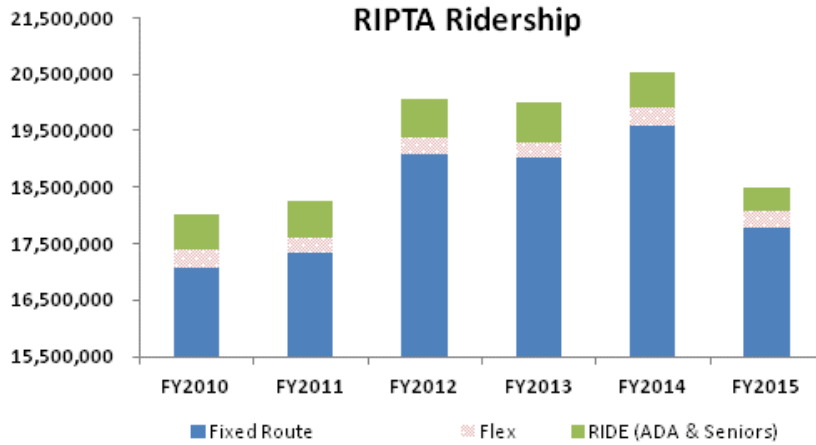
- Phase 2, which will be completed in 1-2 years, will focus on investments in fare technology to reduce cash transactions, improve the availability of fare media, and speed up the boarding process.

				Proposed Fare Changes			
Full-Fares	Current	Phase 1	Phase 2	Full-Fares	Current	Phase 1	Phase 2
Cash				Cash			
Base Fare	\$2.00	\$2.00	\$2.00	Base Fare	\$0.00	\$0.50	\$0.50
Transfer	0.50	1.00	discontinue	Transfer	0.00	0.25	discontinue
Smart Card	n/a	n/a	2.00	Smart Card	n/a	n/a	0.50
Transfer	n/a	n/a	included	Transfer	n/a	n/a	included
Trip-Based				Trip-Based			
RIPTiks	20.00	discontinue	n/a	RIPTiks	n/a	n/a	n/a
15-Ride Pass	26.00	discontinue	n/a	15-Ride Pass	n/a	n/a	n/a
10-Ride Ticket (includes transfer)	n/a			10-Ride Ticket (includes transfer)	n/a	5.00	discontinue
Time-Based				Time-Based			
Day Pass	6.00	6.00	6.00	Day Pass	n/a	TBD	TBD
7-Day Pass	23.00	25.00	25.00	7-Day Pass	n/a	TBD	TBD
Monthly Pass	62.00	70.00	70.00 (rolling)	Monthly Pass	n/a	TBD	TBD

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 RIDE program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2015, RIPTA’s total ridership was 18.5 million passengers, a net decrease of 10.3 percent from FY2014. The largest decrease, 36.2 percent, was in RIDE senior and disabled transportation program. The following table shows ridership, by category, for RIPTA for FY2010 through FY2015.



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 (EIA) 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. Gas prices remained at this level through July FY2014, at which time gas prices began decreasing. The EIA reports gas prices at \$1.77 per gallon for the week beginning February 22, 2016, and fixed route ridership for FY2015 is at the FY2011 level.

SELECTED CAPITAL PROJECTS

The Budget recommends \$68.8 million in capital expenditures, of which \$4.7 million is Rhode Island Capital Plan (RICAP) funded and \$57.0 million is funded by the Federal Transit Administration (FTA) and other federal funds, between FY2016 and FY2021, including the following:

Bus Purchases: RIPTA has a fixed route fleet of 230 vehicles, including 197 fixed route buses, 10 fixed route trolleys, and 23 flex zone buses (less than 30 feet long). During FY2016, RIPTA retired 14 buses that were put into service in 2005 and purchase 18 new, fuel-efficient buses, which are equipped with emission control devices to meet EPA guidelines for Clean Air standards.

In FY2017, RIPTA will be purchasing 24 buses according to its planned replacement program. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match.

The Budget includes \$9.7 million in FY2016, including \$7.8 million in FTA funds, \$1.8 million from the State Fleet Replacement Fund, and \$186,331 in 2010 General Obligation bond funds; and in FY2017 the Budget includes \$12.2 million for bus purchases including \$9.8 million in FTA funds and \$2.4 million from the State Fleet Replacement Fund.

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. During 2014, OHHS awarded a contract to LogistiCare to manage its transportation needs, which has reduced the number of rides provided by RIPTA and introduced a high level of uncertainty to the Paratransit program. In spite of the uncertainty, the age of the Paratransit fleet requires the continued replacement of vehicles that are past their useful life.

The Budget includes \$3.7 million in FY2016 and \$1.4 million in FY2017 for Paratransit bus purchases. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match from its revolving loan fund.

Land and Buildings Enhancements: This is a multi-year project to improve passenger facilities as outlined in RIPTA's strategic plan. RIPTA also plans improvements to transit hubs in Newport, the Warwick Mall, the East Side Tunnel, and Pawtucket. This project will renovate existing Park and Ride lots and construct new Park and Ride lots. Improvements may include repaving, lighting, fencing, security enhancements, and other amenities. Security improvements to RIPTA facilities are also included in this project.

The Budget includes \$9.0 million for land and building enhancements between FY2016 and FY2021, including \$7.6 million in FTA funds, \$391,670 in local funds, \$680,000 in RICAP funds, and \$373,196 in RIPTA operating funds.

Mass Transit Hub Infrastructure

RIPTA, in partnership with RIDOT, is combining state and federal dollars to improve transit capacity, improve rail services at Providence Station, establish intermodal connections, and support economic development. These funds include a \$35.0 million general obligation bond authorization approved by the voters in the November 2014 general election and a \$650,000 Transportation Investment Generating Economic Recovery (TIGER) awarded in FY2014 from the U.S. Department of Transportation.

The infrastructure improvements will consist of three major transit projects:

- Decentralization of RIPTA layovers by transitioning from one downtown Providence hub (Kennedy Plaza) into two planned transit centers: the Providence Station Transit Center (north downtown, adjacent to Providence Train Station, serving over 20+ routes, and the Hospital hub (south downtown), serving an additional 20+ routes. By decentralizing route termini, routes will be simplified and cover more ground within downtown, making it easier for more riders to get to more places without transferring. Kennedy Plaza, while remaining an important transit center, is planned to become a pedestrian-focused urban space and gateway for visitors, residents and businesses.

- Reprogramming Kennedy Plaza into a “superstop” that would continue to serve most RIPTA routes, but eliminates layovers. Superstops are locations where multiple transit services meet that provide for a convenient transfer between routes and that connect passengers with community activity centers.
- Developing Transit Emphasis Corridors that feature frequent headways, transit signal priority technology, superstops, and potential for dedicate bus and bike lanes.

The funds for these projects have been allocated within the State’s 10-year plan. The plan calls for the State to contribute these funds to a public-private partnership responsible for the planning and construction of the intermodal facility in tandem with a complimentary, secondary uses (residential, office, commercial, etc.). The Department of Administration, through its Division of Capital Asset Management and Maintenance, advertised a request for qualifications (RFQ) in July, 2016 as a part of a multi-stage process to identify a public-private partner for the development of the Providence Station Transit Centers.



SPECIAL REPORTS

Revenue

The Budget increases general revenue collections by an estimated \$179.3 million above the November 2015 revenue estimate, including the annually-enacted hospital license fee. The Budget includes \$168.0 million for the fee. New revenue initiatives include enhanced tax compliance programs and base expansions of several taxes and fees.

FY2017 GENERAL REVENUE ADJUSTMENTS

Revenue Item	Total
Hospital Licensing Fee	\$168.0
May 2016 Revenue Estimating Conference	7.7
Transfer Pricing Audit Project	6.7
Pension Tax Exemption	(6.3)
Fraud Initiative	5.0
Earned Income Tax Credit	(2.7)
License Plate Reissuance	(2.0)
New Revenue Officer FTEs	1.8
Minimum Corp Tax	(1.6)
Beach Fees and Reimbursements	(1.3)
Retaliatory Assessments on Foreign Insurers	1.1
Nexus Program	1.0
Sale of State Fleet Motor Vehicles	1.0
Bank and Insurance Examination Fees	0.4
Public Finance Management Fees	0.3
Forward Capacity Market Revenue	0.1
Veterans Plates	0.0
Corporate Filing Fee Parity	0.0
Small Distilleries	0.0
Total	\$179.3

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

Hospital Licensing Fee

\$168.0 million

The Budget reduces the hospital licensing fee from 5.862 to 5.625 percent upon net patient services revenue of all hospitals except those located in Washington and Newport County, where the license fee is discounted by 37.0 percent.

The fee decrease results in a \$1.1 million loss, for total licensing fee revenue in FY2017 of \$168.0 million.

The hospital license fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for uninsured and indigent individuals through the Disproportionate Share Hospital (DSH) program. The fee is federally-limited to 6.0 percent.

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.331%	138.5
2014	5.418%	145.9
2015	5.703%	155.3
2016	5.862%	169.1
2017	5.625%	168.0

\$ in millions

May 2016 Revenue Estimating Conference**\$7.7 million**

The May 2016 Revenue Estimating Conference increased net available general revenues in FY2017 by \$7.7 million above the November 2015 estimate. Corporation taxes are expected to increase by \$2.4 million while personal income taxes are estimated to decrease by \$8.0 million. Other revenues increase, including an additional \$3.8 million in estimated departmental receipts and a \$10.6 million increase in lottery revenue.

Transfer Pricing Audit Project**\$6.7 million**

As part of the Division of Taxation's Transfer Pricing Audit initiative the Division will contract with a third-party vendor to identify companies for potential audit that have intercompany transactions between related businesses. Prior to the State's implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look-back period and is estimated to capture \$6.7 million of underpaid taxes in FY2017.

Pension Tax Exemption**(\$6.3 million)**

Article 13 of the Budget establishes a new exemption on retirement income derived from the pensions of individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less. The State personal income tax will not be applied to the first \$15,000 of annual income derived from private pension plans; federal, state, and local government retirement plans; and military plans. The estimated value of these exemptions is \$6.3 million in FY2017 and approximately \$13.0 million in FY2018.

Fraud Initiative**\$5.0 million**

The Budget includes \$5.0 million in revenues attributable to the State's new Fraud Detection and Prevention initiative. The initiative involves consolidating the fraud units across multiple state agencies into a centralized operation within the Department of Administration. Investment will be made in improving fraud and waste data tools and the alignment is expected to produce efficiencies and better detection. These improvements are anticipated to reduce the 15.0 percent estimated tax collection gap on individual income due to wage reporting issues and the 5.0 percent collection gap on the sales and use tax.

Earned Income Tax Credit**(\$2.7 million)**

The Budget decreases general revenue by \$2.7 million for modifications to the calculation of the earned income tax credit (EITC). The EITC is a refundable tax credit for low- to moderate-income working individuals and couples, particularly those with children. The changes will allow eligible taxpayers to claim 12.5 percent in TY2016, and 15.0 percent in TY2017, of the allowable federal EITC amount.

Changes to Earned Income Tax Credit

	TY2015 (Current)	TY2016 (Current)	TY2017 (Enacted)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

*Single filer, one qualifying child.

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

The EITC can go beyond reducing an individual's tax liability to zero to producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer.

License Plate Reissuance**(\$2.0 million)**

The Budget delays the statutorily-required reissuance of license plates from July 1, 2016 to April 1, 2017. Under current law, registrants are charged \$6.00 for each set of license plates above the regular registration fee. The delay in implementing the issuance results in a loss of \$2.0 million in general revenue.

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

According to the DMV the coordination and effort required to complete the re-issuance project will affect personnel who are working on the implementation of the Rhode Island Motor Vehicle System (RIMS) information technology (IT) project (a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system). Key personnel assigned to RIMS would need to be pulled off and reassigned to the plate re-issuance project in order to ensure its successful implementation. This shift in staffing would negatively impact and likely delay the planned RIMS' September 2016 launch date.

New Revenue Officer FTEs**\$1.8 million**

The Budget anticipates an increase of \$1.8 million from the enhanced collection of owed taxes, fines, and penalties resulting from the addition of more staff in the Division of Taxation. The Division received increased funding to hire 5.0 new FTE positions for tax enforcement initiatives and 1.0 new FTE revenue policy analyst position. The positions, 2.0 new Revenue Agents and 3.0 new Revenue Officer 1 positions will assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns. The revenue policy analyst will work on the Nexus program to ensure that companies required to remit sales tax in Rhode Island are doing so.

Minimum Corporate Tax**(\$1.6 million)**

The Budget reduces the annual minimum business corporations' tax by \$50, from \$450 to \$400, reducing general revenues by \$1.6 million. This represents the second consecutive budget to lower the minimum tax. The FY2016 Budget as Enacted lowered the tax to \$450 from \$500. The revenue impact will only apply to the first half of FY2017. The first full year impact will be in FY2018. The table below compares the minimum corporations' tax in New England.

Regional Comparison	
State	Minimum Tax
Massachusetts	\$456
Rhode Island	\$400
Connecticut	\$250
Vermont	\$250
Maine	-
New Hampshire	-

Beach Fees and Reimbursements**(\$1.3 million)**

The cost of seasonal passes and parking fees for state beaches are reduced to their pre-2011 levels, which was the last time these fees were addressed in the Budget. The local share of the associated revenues are similarly being restored to their previous level of 27.0 percent. The Budget also provides for reimbursing

individuals who purchased season passes before the July 1, 2016, effective date. The Budget is reduced by \$1.3 million to accommodate these price and share changes.

Retaliatory Assessments on Foreign Insurers **\$1.1 million**

The Budget includes \$1.1 million in revenue from increased enforcement of retaliatory assessments on foreign insurers. A retaliatory tax is owed when an insurance company domiciled in another state imposes higher taxes and fees on a Rhode Island-domiciled policy holder for the same business. Under this structure, policies issued to Rhode Island residents by out-of-state insurance companies are subject to the higher of the domestic tax rate or the foreign tax rate of state in which the issuing insurance company is domiciled. It is intended to level the playing field by deterring a state from imposing excessive tax on non-domiciled insurance companies and is a nationwide standard within the insurance industry.

Nexus Program **\$1.0 million**

The Budget includes \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed. This program was part of the Division from 1993 through 2010 and collected over \$19.0 million, averaging over \$1.0 million per year and 3,480 new registrants and tax filers. The Division estimates the reestablished program will also generate revenue of \$1.0 million annually.

Sale of State Fleet Motor Vehicles **\$1.0 million**

The Budget includes \$1.0 million in one-time revenue from the sale of over 250 passenger vehicles designated for employee use. Although Departments own these passenger vehicles, a Department of Administration review indicated there are inconsistencies in preventative maintenance processes. DOA will be looking at the feasibility of leasing vehicles through a third-party manager responsible for upkeep and replacement of the fleet. The State Fleet Office will manage the contract and continue to manage the remainder of the fleet of over 2,000 vehicles.

Bank and Insurance Examination Fees **\$400,000**

The Budget includes \$400,000 from increased bank and insurance examination fee collections associated with the addition of more staff resources. The Budget adds \$200,000 to fill current vacancies within both the Banking and Insurance programs at the Department of Business Regulation. Staff in these programs bill firms to reimburse the state for examination time at an hourly rate of 150.0 percent of the cost of the state FTE.

Public Finance Management Fees **\$295,000**

The Budget anticipates an additional \$295,000 in general revenues from the elimination of the exemption to the fee paid on re-financings and other tax-exempt debt issuances administered through the Public Finance Management Board on behalf of municipalities. The additional revenues will be used to finance a new Office of Debt Management within the Office of the General Treasurer. The Office will be responsible for monitoring the process by which the state and other governmental units issue and manage public debt. Funding will support 1.0 new position and technology upgrades including a web portal to track all public debt.

Forward Capacity Market Revenue **\$108,864**

The Budget includes \$108,864 resulting from a negotiated agreement to manage utility services in the event of excess demand. Under this Forward Capacity Market agreement the State commits to a one-hour twice per year test to demonstrate its ability to decrease demand for electricity. If successful, an incentive payment is made. The Department of Administration indicated that \$700,000 in revenues through FY2019 could be received.

Veterans Plates **(\$35,000)**

Article 9 of the Budget creates an exemption for veterans from paying service and transfer fees associated with their special designated license plates. A \$5 fee is normally required when transferring the registration and license plates to a new vehicle as long as the name on the registration remains the same. Similarly, a \$20 fee is required for various registration service transactions such as a duplicate registration. The estimated revenue impact of the exemption is \$35,000.

A new special license plate is authorized under this article commemorating parents whose son or daughter has been killed in the line of duty while serving in the armed forces. These parents are traditionally known as Gold Star Parents. The Gold Star Parent license plate is exempt from the same transfer and service fees as the other veterans' plates. However an individual with a Gold Star Parent registration on a commercial vehicle must still pay the fees associated with the commercial designation and class of vehicle.

Corporate Tax Filing Parity **(\$30,000)**

The Budget reduces general revenue by \$30,000 as a result of changes to corporate taxes. The changes include the reduction of the initial application fee for limited liability partnerships from the current \$100 for each partner with a cap of \$2,500, to a flat fee of \$150 in total. The annual renewal fee is changed from \$100 per partner to a flat \$150 fee per application.

Small Distilleries **(\$30,000)**

Article 13 of the Budget establishes a two-tiered licensing and fee framework for alcohol distilleries. Annual license fees for small producers (less than 50,000 gallons of distilled spirits produced annually) is set at \$500, for all others it remains \$3,000. The first 49,999 gallons of spirits produced by an established (operating for 12 months or more) distiller are exempt from the alcohol tax. Revenues are reduced by an estimated \$30,000 annually.

FY2016 SUPPLEMENTAL CHANGES**Professional Development Grant** **\$5,000**

The Budget includes \$5,000 in general revenue to reflect a grant from the Rhode Island Foundation to the Rhode Island State Council on the Arts. The grant will be used to provide grants to Expansion Arts alumni and administrators to attend professional development workshop.

Municipal Aid

For FY2017, the Motor Vehicle Excise Tax Reimbursement is funded at the FY2016 Enacted level. The budget includes an additional \$1.9 million for the Payment in Lieu of Taxes (PILOT) program, allowing for a full 27.0 percent reimbursement rate. An additional \$2.0 million is added for the Distressed Communities program, and \$900,000 in additional library aid is budgeted. Funding for the Municipal Incentive Aid program is eliminated as it was a three-year program, saving \$5.0 million. Meal and Beverage Tax and Hotel Tax collections are projected to increase slightly for FY2017 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2015 - FY2017								
Program	FY2015	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Budget	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$40.1	\$40.1	\$0.0	0.0%	\$42.0	\$1.9	4.7%
Distressed Communities	10.4	10.4	10.4	-	0.0%	12.4	2.0	19.3%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	5.0	5.0	5.1	0.1	2.7%	-	(5.0)	-100.0%
State Aid to Libraries								
Grant-in-Aid	8.8	8.8	8.8	-	0.0%	9.4	0.6	6.7%
Library Construction	2.3	2.7	2.7	-	0.0%	2.2	(0.4)	-16.5%
Total Direct Aid	\$76.6	\$76.9	\$77.0	\$0.1	0.2%	\$75.9	(\$1.0)	-1.2%
Public Service Corporations Tax	\$14.3	\$14.3	\$13.0	(\$1.3)	-8.8%	\$13.0	(\$1.3)	-8.8%
Meals & Beverage Tax	23.6	25.2	25.2	0.0	0.0%	26.0	0.9	3.4%
Hotel Tax	7.4	9.0	9.7	0.7	7.6%	9.9	0.9	10.0%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$46.4	\$49.5	\$48.9	(\$0.6)	-1.2%	\$50.0	\$0.5	1.0%
Total Aid	\$123.0	\$126.4	\$125.9	(\$0.4)	-0.3%	\$125.9	(\$0.4)	-0.3%

\$ 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.

For FY2017, PILOT increases by \$1.9 million from the FY2016 level, to \$42.0 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 FY2017

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
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	40.1	14.2%	25.4%
2016	40.1	0.0%	23.7%
2017	42.0	4.7%	27.0%

\$ in millions.

Budget represents a reimbursement rate of 27.0 percent for the first time since FY2007.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2016, \$10.4 million was appropriated and distributed to seven eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities.

Municipality	Distressed Community Relief Fund Distribution		
	FY2016 Enacted	FY2017 Budget	Change
Central Falls	\$211,123	\$223,894	\$12,771
Cranston	-	1,341,001	1,341,001
East Providence	685,142	817,097	131,955
North Providence	989,710	1,032,992	43,282
Pawtucket	1,430,131	1,523,936	93,806
Providence	5,332,583	5,604,285	271,703
West Warwick	835,708	891,916	56,208
Woonsocket	900,062	949,336	49,274
Total	\$10,384,458	\$12,384,458	\$2,000,000

For FY2017, the Distressed Community Relief Fund is increased by \$2.0 million, to \$12.4 million. The City of Cranston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$1.3 million. In the first year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities. Although East Providence will exit the program in FY2017, it will receive a one-time payment of \$817,097, pursuant to current law.

The Budget requires that any community classified as "distressed" be required to participate in the Division of Taxation's income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual's income tax refund. Central Falls, Cranston, North Providence, and Providence are required to participate in the program to receive Distressed Communities relief. Other distressed communities already participate in the program.

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. In FY2011, funding was reduced to \$10.0 million, funding for fire districts was eliminated from the budget, and the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remain in effect through FY2017.

For FY2017, the Budget includes level funding for payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million and excludes funding for fire districts. The mandatory motor vehicle tax exemption at \$500 per vehicle is maintained. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

Fiscal Year	Motor Vehicle Excise Tax	
	Total Funding	% Change
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%
2016	10.0	0.0%
2017	10.0	0.0%

\$ in millions.

FY2014 - FY2016 Motor Vehicle Exemptions

Municipality	FY2014	FY2015	FY2016	Municipality	FY2014	FY2015	FY2016
Barrington	\$1,000	\$1,500	\$2,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	3,000	Newport	6,000	6,000	6,000
Burrillville	1,500	1,250	1,250	New Shoreham	1,000	1,000	1,000
Central Falls	1,000	1,250	1,250	North Kingstown	3,000	3,000	3,000
Charlestown	500	500	500	North Providence	500	500	500
Coventry	500	500	500	North Smithfield	675	675	675
Cranston	500	500	500	Pawtucket	500	500	500
Cumberland	500	500	500	Portsmouth	3,000	3,000	2,500
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	2,000	500	Smithfield	1,000	2,000	2,000
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	2,000	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	1,000	1,000	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. The budget sunsets the program in FY2017, saving \$5.0 million. The Budget includes \$352,935 in FY2017 for payments to Coventry, Johnston, and Scituate as these municipalities did not meet eligibility criteria for FY2016. Current law allows for deferred payments in the following fiscal year if eligibility criteria are met.

State Aid to Libraries Grant-in Aid

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget increases grant-in-aid funding by \$900,000, to \$9.4 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$500,000.

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.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2008	8.7	2.7	11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.7	2.7	11.4	3.6%
2017	9.4	2.2	11.6	2.0%

\$ in millions.

For FY2016, the Budget includes \$2.7 million for Library Construction Aid, and for FY2017, the Budget includes \$2.2 million, reflecting actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. No new applications for library construction have been received since the moratorium ended; however, letters of intent from Barrington, Jamestown, Providence Community Library, and the Providence Public Library have been received. Applications from Barrington and Providence Public Library are expected in the next three months. For the Barrington Public Library, reimbursement is expected to begin in FY2018. For Jamestown and Providence Public Library, reimbursement is expected to begin in FY2019. There is no timeline for the Providence Community Library project to date.

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 Budget includes \$559,900 for the Property Revaluation program in FY2017, a decrease of \$824,349 from the FY2016 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2017:

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%

\$ in millions.

Community	Amount
Charlestown	\$66,560
Cumberland	153,965
Glocester	50,846
Hopkinton	41,051
North Providence	182,851
Richmond	38,189
West Greenwich	26,438
Total	\$559,900

*Source: RI Dept. of Revenue,
Division of Municipal Finance.*

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2017 Budget provides \$13.6 million be distributed to municipalities on July 31, 2016.

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 FY2016, the Office of Revenue Analysis anticipates \$25.2 million in collections, increasing to \$26.0 million in FY2017.

Public Service Corporation

Fiscal Year	Total Funding	% Change
2008	\$10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.6	4.5%

\$ in millions.

Meals & Beverage Tax

Fiscal Year	Total Funding	% Change
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	22.3	4.4%
2015	23.6	6.0%
2016	25.2	6.5%
2017	26.0	3.4%

\$ in millions.

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.

Fiscal Year	Hotel Tax	
	Total Funding	% Change
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	7.4	13.5%
2016	9.7	30.6%
2017	9.9	2.3%

\$ in millions.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website). The expansion is expected to increase aid to municipalities by \$1.3 million in FY2016.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. The 1.0 percent tax will apply to the expanded tax base, and is included in the \$1.3 million generated by the expansion. Additional revenue of \$260,322 results from non-expansion growth.

Total distribution to municipalities is estimated at \$9.7 million for FY2016 and \$9.9 million for FY2017.

OTHER AID TO LOCAL GOVERNMENT**Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and reached \$916,700 by FY2015. The FY2016 and FY2017 budgets include \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2016 and FY2017. 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 Actual	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$190,578		\$790,578
Block Island		37,411		37,411
Middletown-Newport Airport ¹		49,063		49,063
North Central				
Smithfield		20,634	4,366	25,000
Lincoln		20,634	4,366	25,000
North Kingstown - Quonset		38,714		38,714
Westerly		42,967		42,967
Total	\$600,000	\$400,000	\$8,732	\$1,008,732

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget does not include any additional funding for the Municipal Road and Bridge Fund in FY2017; however, the RI infrastructure Bank indicates that it has \$6.8 million in funding available for projects in FY2017.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the RIIB has approved applications from thirteen municipalities for road and bridge projects as follows:

Borrower	Program Year	Amount Requested	Amount Borrowed	Loan Outstanding	Credit Limit Remaining
East Providence	2014	\$1,215,000	\$1,215,000	\$1,103,000	\$0
Newport	2014	4,000,000	1,500,000	1,358,000	-
Warwick	2014	1,600,000	1,600,000	573,377	960,623
Burrillville	2014	680,000	680,000	90,555	589,445
New Shoreham	2014	255,000	255,000	173,469	65,531
***Westerly	2014	625,000	225,000	14,906	210,094
Pawtucket	2014	7,000,000	3,500,000	3,361,610	390
Cumberland	2014	500,000	500,000	345,899	133,101
Coventry	2014	340,000	340,000	294,109	13,891
West Warwick	2015	150,515	150,515	4,905	144,610
Bristol	2015	500,000	500,000	328,615	170,385
Hopkinton	2015	253,000	253,000	175,967	76,033
Pawtucket	2015	5,000,000	5,000,000	3,476,384	1,522,616
East Greenwich	2015	2,000,000	2,000,000	1,484,388	514,612
Coventry	2015	900,000	900,000	53,053	845,948
TOTAL		\$25,018,515	\$18,618,515	\$12,838,239	\$5,247,276

*** \$400,000 turned back from Westerly

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a "Settlement and Release Agreement." Parties to the agreement include the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

The payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the City of Central Falls for payment to Central Falls' city retirees so that those retirees continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.7 million to the Central Falls pension fund, beginning with \$250,703 on July 1, 2016, and ending with a payment of \$3,398 on July 1, 2044.

Fire Districts in Fiscal Stability Act

Legislation passed by the General Assembly during the 2014 session includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver. The Central Coventry Fire District, after several failed attempts to pass a budget, was ordered by the Rhode Island Superior Court to liquidate by May 16, 2014. Due to a lack of financial information available to the State, it is not known how many other fire districts are in fiscal distress. The FY2016 Revised Budget includes \$352,242 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for legal costs associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2017.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

The law does the following:

- Creates three levels of State oversight and control
 - 1) Fiscal Overseer
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 2) Budget Review Commission
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 5 members:
 - 3 designees of the Director of Revenue
 - Chairperson of the district's governing body
 - Fire chief of the district
 - 3) Receivership
 - Appointed by the Director of Revenue
- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver.
- Provides a mechanism for the State to work with fire districts undergoing financial distress that threatens the fiscal well-being, public safety, and welfare of these communities, others, or the State.
- Provides varying levels of support and control depending on the particular circumstances of the district.
- Sets out financial reporting requirements for fire districts that are similar to those required of cities and towns.
- Requires quarterly budget reports be submitted to the Division of Municipal Finance and the Auditor General, and requires a corrective action plan should a fire district anticipate a year-end deficit.
- Requires an annual audit of financial statements by an independent auditing firm; however, the auditor General may waive or modify the requirement based on the size of the district.
- Requires the tax roll be certified by the Division of Municipal Finance.
- Allows fire districts to contract with the tax administrator to allow the tax administrator to collect taxes for the fire districts.
- Extends the provision for 5-year contracts for fire districts that are under the jurisdiction of a budget commission or a reviewer. This is current law for cities and towns.
- Provides that this legislation applies to all pending state judicial receiverships.
- This bill does NOT make fire districts subject to the "3050" tax cap.
- Any changes to collective bargaining agreements must be negotiated.
- Tax levy changes can be made at the budget commission or receivership level.

OTHER MUNICIPAL ISSUES

Main Street RI Streetscape Improvement Program

Article 19 of the FY2016 Budget as Enacted created a statewide Main Street Rhode Island Streetscape Improvement Fund. The FY2016 budget designated \$1.0 million in general revenue to fund this initiative, and the Budget includes \$1.0 million in general revenue in FY2017. The purpose of the program is to

provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding, or set individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program. The following projects were approved in FY2016:

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

Tax Stabilization Incentive

Article 19 of the FY2016 Budget created the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal and/or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of the development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement and is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and, reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

FY2016 Direct Municipal Aid to Cities and Towns (Revised)

Municipality	FY2016	Payment In	Distressed	Municipal	Motor	Library	Library	Total FY2016	Change from
	Enacted	Lieu of Taxes	Communities	Incentive	Vehicle	Grant-in-	Construction	Revised	
			Relief Fund	Aid ¹	Excise Tax	Aid ²	Aid	Municipal Aid	Enacted
Barrington	\$726,243	\$14,638	\$0	\$79,669	\$217,477	\$337,167	\$66,417	\$715,368	(\$10,875)
Bristol	1,431,232	784,360	-	110,194	94,294	168,505	275,531	1,432,884	1,652
Burrillville	826,712	127,468	-	78,261	200,798	144,949	276,501	827,977	1,265
Central Falls	444,816	21,411	211,123	94,747	96,208	26,046	-	449,535	4,719
Charlestown	128,198	-	-	38,228	44,097	46,654	-	128,979	781
Coventry	629,593	-	-	171,006	244,791	217,150	-	632,947	3,354
Cranston	7,588,074	5,645,799	-	393,283	1,005,084	553,271	-	7,597,437	9,363
Cumberland	885,871	119	-	164,680	247,485	266,665	211,415	890,364	4,493
East Greenwich	667,742	341,085	-	64,146	81,417	121,208	61,265	669,121	1,379
East Providence	2,052,600	218,245	685,142	230,209	501,297	354,339	65,332	2,054,564	1,964
Exeter	245,661	-	-	32,639	92,110	45,910	75,968	246,627	966
Foster	110,398	415	-	22,612	72,955	30,796	-	126,778	16,380
Glocester	220,344	-	-	47,897	102,420	70,625	-	220,942	598
Hopkinton	139,475	-	-	39,823	69,295	31,101	-	140,219	744
Jamestown	135,226	-	-	26,503	22,042	87,375	-	135,920	694
Johnston	677,047	-	-	137,340	422,637	116,751	-	676,728	(319)
Lincoln	493,880	-	-	103,489	198,583	195,339	-	497,411	3,531
Little Compton	59,925	-	-	17,058	12,896	30,355	-	60,309	384
Middletown	335,637	-	-	78,930	63,006	135,162	54,568	331,666	(3,971)
Narragansett	255,761	-	-	77,283	60,810	120,040	-	258,133	2,372
Newport	2,041,511	1,250,492	-	118,955	77,989	380,016	217,409	2,044,861	3,350
New Shoreham	153,269	-	-	4,102	6,714	80,325	62,405	153,546	277
North Kingstown	609,720	1,494	-	128,823	185,691	266,128	32,047	614,183	4,463
North Providence	2,425,051	713,714	989,710	157,054	389,770	175,272	-	2,425,520	469
North Smithfield	304,392	-	-	58,718	177,990	65,478	-	302,186	(2,206)
Pawtucket	3,406,361	508,302	1,430,131	347,825	794,500	336,605	-	3,417,363	11,001
Portsmouth	262,433	-	-	84,739	84,669	101,476	-	270,884	8,451
Providence ¹	38,560,096	28,087,312	5,332,583	870,225	1,882,415	2,151,268	273,833	38,597,636	37,540
Richmond	129,364	-	-	37,426	65,687	26,246	-	129,359	(5)
Scituate	213,522	-	-	50,622	68,633	94,694	-	213,949	427
Smithfield	1,225,720	600,901	-	104,852	255,759	269,640	-	1,231,152	5,432
South Kingstown	659,577	173,565	-	149,526	139,730	201,734	-	664,555	4,978
Tiverton	640,500	-	-	77,231	59,170	100,382	406,000	642,783	2,283
Warren	196,425	-	-	51,810	92,183	54,101	-	198,094	1,669
Warwick	3,648,095	1,453,550	-	402,712	964,536	673,157	164,959	3,658,915	10,820
Westerly	982,776	137,538	-	111,058	216,507	274,847	253,767	993,717	10,941
West Greenwich	117,421	-	-	29,812	54,390	29,133	-	113,335	(4,086)
West Warwick	1,359,293	-	835,708	141,933	231,779	152,016	-	1,361,436	2,143
Woonsocket	1,848,251	-	900,062	200,980	402,183	178,865	165,138	1,847,228	(1,023)
Total	\$76,838,212	\$40,080,408	\$10,384,458	\$5,136,400	\$10,000,000	\$8,710,791	\$2,662,555	\$76,974,612	\$136,400

¹ Johnston does not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2016 Revised	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid ¹	Motor Vehicle Excise Tax ²	Library Grant-in-Aid ³	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2016 Revised
Barrington	\$715,368	\$15,995	\$0	\$0	\$217,477	\$374,284	\$0	\$607,756	(\$107,612)
Bristol	1,432,884	954,792	-	-	94,294	185,859	276,731	1,511,676	78,792
Burrillville	827,977	145,198	-	-	200,798	165,414	269,202	780,612	(47,365)
Central Falls	449,535	24,507	223,894	-	96,208	30,523	-	375,132	(74,403)
Charlestown	128,979	-	-	-	44,097	51,221	-	95,318	(33,661)
Coventry	632,947	-	-	-	244,791	244,374	-	489,165	(143,782)
Cranston	7,597,437	5,322,139	1,341,001	-	1,005,084	595,274	-	8,263,498	666,061
Cumberland	890,364	135	-	-	247,485	287,647	211,083	746,350	(144,013)
East Greenwich	669,121	434,980	-	-	81,417	134,295	59,252	709,944	40,823
East Providence	2,054,564	248,601	817,097	-	501,297	422,447	63,549	2,052,991	(1,573)
Exeter	246,627	-	-	-	92,110	52,087	75,968	220,165	(26,462)
Foster	126,778	-	-	-	72,955	34,462	-	107,417	(19,361)
Glocester	220,942	-	-	-	102,420	78,763	-	181,183	(39,759)
Hopkinton	140,219	-	-	-	69,295	36,298	-	105,593	(34,626)
Jamestown	135,920	-	-	-	22,042	115,055	-	137,097	1,177
Johnston	676,728	-	-	136,438	422,637	122,211	-	681,286	4,557
Lincoln	497,411	-	-	-	198,583	210,541	-	409,124	(88,287)
Little Compton	60,309	-	-	-	12,896	36,397	-	49,293	(11,016)
Middletown	331,666	-	-	-	63,006	147,598	53,254	263,858	(67,808)
Narragansett	258,133	-	-	-	60,810	153,079	-	213,889	(44,244)
Newport	2,044,861	1,357,719	-	-	77,989	417,539	210,435	2,063,682	18,822
New Shoreham	153,546	-	-	-	6,714	88,318	63,446	158,478	4,932
North Kingstown	614,183	1,737	-	-	185,691	293,678	30,461	511,567	(102,616)
North Providence	2,425,520	-	1,032,992	-	389,770	192,234	-	1,614,996	(810,524)
North Smithfield	302,186	-	-	-	177,990	78,789	-	256,779	(45,407)
Pawtucket	3,417,363	554,958	1,523,936	-	794,500	384,468	-	3,257,862	(159,500)
Portsmouth	270,884	-	-	-	84,669	116,931	-	201,600	(69,284)
Providence ³	38,597,636	30,137,743	5,604,285	-	1,882,415	2,047,753	-	39,672,196	1,074,560
Richmond	129,359	-	-	-	65,687	27,268	-	92,955	(36,404)
Scituate	213,949	-	-	-	68,633	104,517	-	173,150	(40,799)
Smithfield	1,231,152	710,097	-	-	255,759	298,995	-	1,264,851	33,699
South Kingstown	664,555	198,218	-	-	139,730	225,653	-	563,601	(100,954)
Tiverton	642,783	-	-	-	59,170	116,085	327,699	502,954	(139,829)
Warren	198,094	-	-	-	92,183	57,784	-	149,967	(48,127)
Warwick	3,658,915	1,712,951	-	-	964,536	739,844	163,644	3,580,975	(77,939)
Westerly	993,717	159,333	-	-	216,507	318,145	253,767	947,752	(45,965)
West Greenwich	113,335	-	-	-	54,390	32,312	-	86,702	(26,633)
West Warwick	1,361,436	-	891,916	-	231,779	162,630	-	1,286,325	(75,111)
Woonsocket	1,847,228	-	949,336	-	402,183	181,300	164,730	1,697,549	(149,679)
Total	\$76,974,612	\$41,979,103	\$12,384,457	\$136,438	\$10,000,000	\$9,362,072	\$2,223,221	\$76,085,291	(\$889,321)

¹ Johnston does not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Estimate is based on FY2016 data and will change once 12/31/15 data is received in the spring of 2016.

³ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2016 Indirect Local Aid to Cities and Towns (Revised)

Municipality	FY2016 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Enacted
Barrington	\$368,637	\$201,686	\$169,571	\$4,840	\$376,097	\$7,460
Bristol	712,571	278,819	414,142	57,754	750,715	38,144
Burrillville	402,803	198,184	208,483	1,543	408,210	5,407
Central Falls	358,071	239,912	124,660	1,029	365,601	7,530
Charlestown	328,483	96,784	154,035	90,814	341,633	13,150
Coventry	921,481	432,985	413,426	105,225	951,636	30,155
Cranston	2,701,114	995,808	1,803,082	17,187	2,816,077	114,963
Cumberland	846,739	417,096	473,373	-	890,469	43,730
East Greenwich	751,966	162,408	636,056	4,451	802,915	50,949
East Providence	1,550,467	582,845	948,454	55,426	1,586,725	36,258
Exeter	172,451	82,701	96,201	514	179,416	6,965
Foster	74,313	57,271	16,700	237	74,208	(105)
Glocester	204,273	121,286	75,671	3,768	200,725	(3,548)
Hopkinton	154,440	100,831	50,748	953	152,532	(1,908)
Jamestown	211,346	67,109	98,430	57,465	223,004	11,658
Johnston	880,958	357,486	572,813	10,986	941,285	60,327
Lincoln	1,184,275	262,063	850,190	119,020	1,231,273	46,998
Little Compton	127,681	43,188	46,683	40,619	130,490	2,809
Middletown	1,669,946	199,830	685,478	870,392	1,755,700	85,754
Narragansett	1,119,114	195,635	614,542	362,759	1,172,936	53,822
Newport	4,527,642	301,205	2,179,413	2,346,221	4,826,839	299,197
New Shoreham	694,977	10,345	333,706	369,208	713,259	18,282
North Kingstown	941,110	326,128	534,560	113,977	974,665	33,555
North Providence	738,071	397,667	343,541	1,029	742,237	4,166
North Smithfield	399,834	148,734	255,353	4,158	408,245	8,411
Pawtucket	1,703,086	880,635	795,988	61,949	1,738,572	35,486
Portsmouth	434,055	214,568	188,709	38,729	442,006	7,951
Providence	9,503,458	2,203,425	5,190,931	2,370,595	9,764,951	261,493
Richmond	229,949	94,755	145,123	4,884	244,762	14,813
Scituate	202,356	128,192	72,034	7,085	207,311	4,955
Smithfield	1,134,286	265,491	714,442	174,905	1,154,838	20,552
South Kingstown	1,357,082	378,660	803,415	226,374	1,408,449	51,367
Tiverton	420,196	195,585	222,678	9,739	428,002	7,806
Warren	406,283	131,137	284,751	6,384	422,272	15,989
Warwick	4,817,495	1,019,420	2,799,504	1,200,354	5,019,278	201,783
Westerly	1,647,526	281,158	839,303	636,069	1,756,530	109,004
West Greenwich	312,560	75,512	144,141	104,408	324,061	11,501
West Warwick	812,086	359,305	355,931	126,423	841,659	29,573
Woonsocket	1,071,556	508,769	520,869	60,387	1,090,025	18,469
Total	\$46,094,737	\$13,014,618	\$25,177,130	\$9,667,860	\$47,859,608	\$1,764,871

FY2017 Indirect Local Aid to Cities and Towns

Municipality	FY2016 Revised Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Revised
Barrington	\$376,097	\$201,686	\$175,404	\$4,950	\$382,040	\$5,943
Bristol	750,715	278,819	428,388	59,062	766,269	15,554
Burrillville	408,210	198,184	215,655	1,578	415,417	7,207
Central Falls	365,601	239,912	128,948	1,052	369,913	4,312
Charlestown	341,633	96,784	159,334	92,870	348,988	7,355
Coventry	951,636	432,985	427,647	107,608	968,241	16,605
Cranston	2,816,077	995,808	1,865,108	17,576	2,878,492	62,415
Cumberland	890,469	417,096	489,657	-	906,753	16,284
East Greenwich	802,915	162,408	657,936	4,552	824,897	21,982
East Providence	1,586,725	582,845	981,081	56,682	1,620,608	33,883
Exeter	179,416	82,701	99,510	526	182,737	3,321
Foster	74,208	57,271	17,275	242	74,788	580
Glocester	200,725	121,286	78,274	3,853	203,413	2,688
Hopkinton	152,532	100,831	52,494	974	154,299	1,767
Jamestown	223,004	67,109	101,816	58,767	227,692	4,688
Johnston	941,285	357,486	592,518	11,234	961,238	19,953
Lincoln	1,231,273	262,063	879,436	121,715	1,263,215	31,942
Little Compton	130,490	43,188	48,288	41,539	133,016	2,526
Middletown	1,755,700	199,830	709,058	890,104	1,798,993	43,293
Narragansett	1,172,936	195,635	635,682	370,975	1,202,292	29,356
Newport	4,826,839	301,205	2,254,385	2,399,358	4,954,947	128,108
New Shoreham	713,259	10,345	345,185	377,570	733,101	19,842
North Kingstown	974,665	326,128	552,949	116,559	995,636	20,971
North Providence	742,237	397,667	355,358	1,052	754,078	11,841
North Smithfield	408,245	148,734	264,137	4,252	417,122	8,877
Pawtucket	1,738,572	880,635	823,370	63,352	1,767,357	28,785
Portsmouth	442,006	214,568	195,200	39,606	449,375	7,369
Providence	9,764,951	2,203,425	5,369,499	2,424,283	9,997,207	232,256
Richmond	244,762	94,755	150,115	4,994	249,864	5,102
Scituate	207,311	128,192	74,511	7,246	209,949	2,638
Smithfield	1,154,838	265,491	739,019	178,866	1,183,376	28,538
South Kingstown	1,408,449	378,660	831,052	231,501	1,441,212	32,763
Tiverton	428,002	195,585	230,338	9,959	435,883	7,881
Warren	422,272	131,137	294,546	6,528	432,211	9,939
Warwick	5,019,278	1,019,420	2,895,806	1,227,539	5,142,765	123,487
Westerly	1,756,530	281,158	868,175	650,475	1,799,808	43,278
West Greenwich	324,061	75,512	149,100	106,772	331,384	7,323
West Warwick	841,659	359,305	368,175	129,286	856,766	15,107
Woonsocket	1,090,025	508,769	538,787	61,755	1,109,312	19,287
Total	\$47,859,608	\$13,014,620	\$26,043,218	\$9,886,814	\$48,944,652	\$1,085,044

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). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provides a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive more. FY2017 represents the sixth year of the transition period.

Through Article 11 of the FY2017 Budget as Enacted, free or reduced lunch eligibility will no longer be used as a poverty measure. Since the United States Department of Agriculture (USDA) stopped requiring school districts to collect eligibility data, an alternate way to identify student in poverty for the purpose of the student success factor and share ratio calculation was needed. Federal guidance suggests removing free and reduced lunch as a poverty indicator in state funding schemes. Consequently, instead of using children eligible for free or reduced lunch, the statute identifies students whose family income is below 185.0 percent of the federal poverty guidelines. This income level is the same threshold that was used for the free and reduced lunch program. This change is not expected to change eligibility numbers in the funding formula. According to the Department, a small number of RI schools are using the Community Eligibility Provision for free and reduced lunch; however, they currently continue to collect income data forms.

HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Budget is based on student enrollments as of March 2016, with projected charter school enrollments for the 2017 school year.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$8,979 in FY2017, a 0.6 percent increase from the FY2016 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 \$3,592 based on the FY2017 core instruction amount of \$8,979 ($\$8,979 * 0.40 = \$3,592$), for each student eligible for free or reduced lunch (FRLP).

Article 11 of the Budget changes the threshold for the high-need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level

is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

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.

$$\text{Total Foundation Budget} = (\$8,979 \times \text{RADM}) + (0.40 \times \$8,979 \times \text{number of students in poverty})$$

Step 5 - State Share Ratio: The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core foundation amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{EWAV}^2 + \%PK - 6\text{students} - \text{in} - \text{poverty}^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than the State as a whole and a higher concentration of child poverty looks relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusts the EWAV calculation to increase the State share of total education budget.

The distribution in the Budget includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the ACS.

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 FY2017.

FY2017 Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2015 Data)		Poverty RADM (Projected based on March 2016 Data)		Core Instruction Funding (C = \$8,979)		Student Success Factor Funding (F = 0.4*\$8,979 = \$3,592)		Total Foundation		%Poverty		EWA/V		State Share Ratio		State Share of Foundation Budget		FY2016 Enacted (excludes group home and categorical)		Change in State Funding		FY2017 (Year 6) formula change if + is L/2; if - is L/5	
	A	B	A	B	A	B	B	F	D+G+H	PK6	PK6	I	H*E+J	K	J-K=L	if + is L/2; if - is L/5								
Barrington	3,304	179	\$29,666,616	179	\$642,896	\$30,309,512	5.9%	24.1%	17.5%	\$5,317,657	\$5,040,087	\$277,570	\$138,785	\$2,982,749	(3,544)									
Burnhillville	2,379	800	21,361,041	800	2,873,280	24,234,321	35.7%	66.8%	53.6%	12,979,204	12,982,749	(3,544)	(709)	1,706,421	(92,502)									
Charlestown	841	200	7,551,339	200	718,320	8,269,659	27.6%	0.0%	19.5%	1,613,919	1,613,919	(92,502)	(18,500)	21,765,325	1,456,842									
Coventry	4,663	1,550	41,869,077	1,550	5,666,980	47,436,057	31.6%	61.6%	49.0%	23,222,167	23,222,167	1,456,842	728,421	50,354,983	7,729,622									
Cranston	10,194	4,688	91,531,926	4,688	16,837,421	108,369,347	45.4%	60.7%	53.6%	58,084,605	50,354,983	7,729,622	3,864,811	16,552,928	2,213,149									
Cumberland	4,459	1,088	40,037,361	1,088	3,620,333	43,657,694	24.8%	55.5%	43.0%	18,765,928	16,552,928	2,213,149	1,106,574	2,770,430	(808,365)									
East Greenwich	2,434	174	21,854,886	174	624,938	22,479,824	8.0%	9.4%	8.7%	1,962,065	2,770,430	(808,365)	(161,673)	30,348,208	3,793,811									
East Providence	5,233	2,885	46,987,107	2,885	10,361,766	57,348,873	52.4%	65.9%	59.5%	34,142,020	30,348,208	3,793,811	1,896,906	1,181,172	(85,868)									
Foster	275	66	2,469,225	66	237,046	2,706,271	23.7%	52.1%	40.5%	1,095,304	1,181,172	(85,868)	(17,174)	2,515,667	(595,691)									
Glocester	535	81	4,803,765	81	290,920	5,094,685	17.9%	50.2%	37.7%	1,919,976	2,515,667	(595,691)	(119,138)	5,470,735	(423,332)									
Hopkinton	1,122	284	10,074,438	284	1,020,014	11,094,452	27.0%	58.4%	45.5%	5,047,403	5,470,735	(423,332)	(84,666)	439,327	849									
Jamestown	635	60	5,701,665	60	215,496	5,917,161	10.5%	0.0%	7.4%	439,327	438,478	849	425	13,920,605	3,303,107									
Johnston	3,240	1,461	29,091,960	1,461	5,247,328	34,339,288	47.7%	52.5%	50.2%	17,223,712	13,920,605	3,303,107	1,651,553	10,225,160	1,363,514									
Lincoln	2,906	792	26,092,974	792	2,844,547	28,937,521	31.6%	47.0%	40.0%	11,588,673	10,225,160	1,363,514	681,757	428,070	29,606									
Little Compton	373	59	3,349,167	59	211,904	3,561,071	17.0%	0.0%	12.0%	428,070	398,464	29,606	14,803	8,369,412	(1,175,446)									
Middletown	2,294	697	20,597,826	697	2,503,345	23,101,171	32.7%	29.5%	31.1%	7,193,966	8,369,412	(1,175,446)	(235,089)	2,134,161	(99,799)									
Narragansett	1,290	273	11,582,910	273	980,507	12,563,417	22.9%	16.2%	16.2%	2,034,362	2,134,161	(99,799)	(19,960)	10,402,340	636,507									
Newport	2,153	1,346	19,331,787	1,346	4,834,294	24,166,081	64.6%	0.0%	45.7%	11,038,848	10,402,340	636,507	318,254	85,500	50,651									
New Shoreham	113	17	1,014,627	17	61,057	1,075,684	17.9%	0.0%	12.7%	136,152	85,500	50,651	25,326	10,554,952	(107,564)									
North Kingstown	3,850	844	34,569,150	844	3,031,310	37,600,460	26.0%	30.0%	28.1%	10,554,952	10,662,516	(107,564)	(21,513)	7,944,337	3,205,931									
North Providence	3,510	1,529	31,516,290	1,529	5,491,556	37,007,846	47.9%	65.1%	57.2%	21,150,268	17,944,337	3,205,931	1,602,965	5,683,082	554,008									
North Smithfield	1,723	340	15,470,817	340	1,221,144	16,691,961	22.1%	48.0%	37.4%	6,237,089	5,683,082	554,008	277,004	78,238,483	8,898,853									
Pawtucket	8,856	6,990	79,518,024	6,990	25,105,284	104,623,308	79.4%	87.0%	83.3%	87,137,336	78,238,483	8,898,853	4,449,427	4,212,562	(963,212)									
Portsmouth	2,354	382	21,136,566	382	1,371,991	22,508,557	16.8%	11.6%	14.4%	3,249,350	4,212,562	(963,212)	(192,642)	240,526,498	19,313,693									
Providence	22,715	19,441	203,957,985	19,441	69,824,296	273,782,281	88.6%	87.1%	87.9%	240,526,498	221,212,806	19,313,693	9,656,846	5,063,630	(1,113,237)									
Richmond	1,133	191	10,173,207	191	685,996	10,859,203	20.0%	47.4%	36.4%	3,950,392	5,063,630	(1,113,237)	(222,647)	3,909,685	(1,080,875)									
Scituate	1,381	262	12,399,999	262	940,999	13,340,998	18.5%	23.6%	21.2%	2,828,811	3,909,685	(1,080,875)	(216,175)	5,885,011	795,624									
Smithfield	2,373	364	21,307,167	364	1,307,342	22,614,509	18.0%	32.1%	26.0%	5,885,011	5,089,386	795,624	397,812	7,289,894	(1,478,116)									
South Kingstown	3,218	649	28,894,422	649	2,330,948	31,225,370	23.0%	12.8%	18.6%	5,811,779	7,289,894	(1,478,116)	(295,623)	6,027,039	242,370									
Tiverton	1,832	580	16,449,528	580	2,083,128	18,532,656	32.4%	35.2%	33.8%	6,269,409	6,027,039	242,370	121,185	36,354,185	1,285,975									
Warwick	9,081	3,167	81,538,299	3,167	11,374,597	92,912,896	37.4%	43.4%	40.5%	37,640,160	36,354,185	1,285,975	642,987	8,272,261	905,255									
Westerly	2,950	1,088	26,488,050	1,088	3,907,661	30,395,711	42.7%	0.0%	30.2%	9,177,517	8,272,261	905,255	452,628	24,199,031	2,365,312									
West Warwick	3,468	1,732	31,139,172	1,732	6,220,651	37,359,823	54.4%	73.7%	64.8%	24,199,031	21,833,719	2,365,312	1,182,656	53,126,130	4,600,901									
Woonsocket	5,766	4,412	51,772,914	4,412	15,846,139	67,619,053	79.8%	90.6%	85.4%	57,727,032	53,126,130	4,600,901	2,300,451	12,413,460	(2,897,409)									
Bristol-Warren ³	3,308	1,212	29,702,532	1,212	4,353,019	34,055,551				12,413,460	15,310,869	(2,897,409)	(579,482)	5,387,085	(1,195,718)									
Exeter-West Greenwich ³	1,624	241	14,581,896	241	865,576	15,447,472				4,191,368	5,387,085	(1,195,718)	(239,143)	191,602	(38,320)									
Charlho	-	-	-	-	-	-	-	-	-	-	191,602	(191,602)	(38,320)	4,872,233	(644,887)									
Foster-Glocester	1,114	214	10,002,606	214	768,602	10,771,208	21.9%	51.0%	39.2%	4,227,346	4,872,233	(644,887)	(128,977)	28,216,803	(7,624,813)									
Central Falls	2,470	2,148	22,178,130	2,148	7,714,757	29,892,887	91.5%	97.2%	94.4%	28,216,803	35,841,616	(7,624,813)	(1,524,963)	\$785,626,967	\$42,441,171									
District Total	131,169	62,406	\$1,177,766,451	62,406	\$224,137,390	\$1,401,903,841				\$785,626,967	\$743,185,796	\$42,441,171	\$27,395,179	67,513,058	7,937,389									
Charter School Total	8,278	5,983	74,328,162	5,983	21,488,543	95,816,705				75,450,447	67,513,058	7,937,389	7,664,670	7,994,955	(3,645,197)									
Davies ²	875	570	7,856,625	570	2,047,212	9,903,837				7,994,955	11,640,152	(3,645,197)	(597,104)	9,864,425	(3,274,669)									
Met School	818	563	7,344,822	563	2,022,071	9,366,893				6,589,756	9,864,425	(3,274,669)	(654,934)	856,203	544,484									
Urban Collaborative	138	108	1,239,102	108	387,893	1,626,995				1,400,687	856,203	544,484	259,087	\$833,059,634	\$44,003,177									
Total	141,278	69,630	\$1,268,535,162	69,630	\$250,083,108	\$1,518,618,270				\$877,062,811	\$833,059,634	\$44,003,177	\$34,066,898											

¹ Based on March 2016 enrollment updated for projected charter school growth.

² Reflects \$131,935 adjustment for State share of teacher retirement.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al. Source: Rhode Island Department of Education

CHARTER SCHOOL FUNDING

Under the formula, the funding mechanism for charter and state schools changed significantly. While previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. When the funding formula was enacted, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there was no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects}) / \text{District RADM}$$

Local Charter and State School Tuition Reduction: Article 11 of the FY2017 Budget changes the above calculation to subtract a district-specific amount from the tuition paid for each student attending a charter or state school. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2017 will be based on FY2015 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in the delineated expenditure categories. The categories include each district's costs for non-public textbooks, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies where teachers do not participate in the state's teacher retirement system equivalent to the per-pupil, unfunded liability cost. The table on the following page shows the projected tuition savings for districts sending students to public schools of choice, including charter and state schools.

Projected Reduction in Sending District Tuition to Public Schools of Choice (FY2017)

LEA	Projected PSOC Enrollment	Enacted Per Pupil Tuition Reduction	Projected Mayoral Academy Enrollment	Additional Mayoral Academy Reduction	Total Tuition Reduction
Barrington	10	\$883	0	\$0	\$8,830
Burrillville	34	478	5	-	16,252
Charlestown	-	-	-	-	-
Coventry	63	639	-	-	40,238
Cranston	320	643	64	-	205,650
Cumberland	496	569	431	-	281,999
East Greenwich	8	959	-	-	7,673
East Providence	107	942	-	819	100,794
Foster	-	811	-	-	-
Glocester	-	858	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	15	2,109	-	970	31,635
Johnston	62	1,199	-	1,011	74,338
Lincoln	276	873	210	-	241,005
Little Compton	1	1,171	-	-	1,171
Middletown	16	751	-	-	12,009
Narragansett	27	1,280	-	-	34,552
Newport	28	1,963	-	1,177	54,964
New Shoreham	-	2,784	-	-	-
North Kingstown	136	832	-	-	113,177
North Providence	150	622	26	-	93,267
North Smithfield	38	729	9	-	27,718
Pawtucket	1,648	213	533	731	740,647
Portsmouth	9	886	-	-	7,974
Providence	4,344	327	618	-	1,420,488
Richmond	-	-	-	-	-
Scituate	16	858	-	-	13,732
Smithfield	25	839	1	-	20,982
South Kingstown	115	1,024	-	-	117,711
Tiverton	20	921	1	-	18,422
Warwick	126	924	16	-	116,433
Westerly	47	1,012	-	-	47,564
West Warwick	36	626	-	-	22,536
Woonsocket	314	184	80	-	57,776
Bristol-Warren	38	1,789	-	904	67,982
Exeter-West Greenwich	41	1,530	-	993	62,730
Chariho	85	822	-	-	69,870
Foster-Glocester	9	4,048	-	1,016	36,432
Central Falls	1,449	245	462	918	779,121
Total	10,109		2,456		\$4,945,672

Source: Rhode Island Department of Elementary and Secondary Education.

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs.

The change in local tuition for both charter and state schools is scheduled to phase in over five years: FY2016 was the last year of the transition. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the following examples for further clarification of the charter school formula used in FY2011:

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM and subsequently dividing the local tuition reduction enacted through Article 11 of the FY2017 Budget as discussed above. Local payments are made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

NON-FORMULA PROVISIONS

Group Homes: The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and providing \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11, the FY2017 Budget increases the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which increase by \$4,000 for a total of \$26,000 per bed. The Budget includes an additional \$828,000 in Group Home Aid in FY2017 to provide the increase in per-bed aid.

The FY2017 Budget includes \$4.8 million to fund group home beds. This is \$318,100 less than the FY2016 Budget as Enacted, and represents a decrease of 35 beds (7.8 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.

Categorical Funds: 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,

Central Falls Stabilization, and the Regionalization Bonus. The FY2017 Budget adds new categories including English Learners, Density Aid, Davies Stabilization, and Met School Stabilization.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.4 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted.

**FY2017 Categorical Education Aid
Change from**

Categorical	Enacted	Total Funding
Transportation	\$2.0	\$6.4
High-Cost Special Education	2.0	4.5
Career & Technical Education	1.0	4.5
English Learners	2.5	2.5
Density Fund - Choice Schools	1.5	1.5
Early Childhood	1.2	5.2
Central Falls Stabilization	1.1	4.8
Davies Stabilization	1.5	1.5
Met School Stabilization	0.1	0.1
Regionalization Bonus	-	-
Total	\$12.9	\$31.0

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

- **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 \$62,853 for FY2017). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 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 Budget funds this category at \$4.5 million in FY2017, an increase of \$1.0 million over the FY2016 Budget as Enacted.
- **English Learners:** Through Article 11, the Budget establishes a new categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount (\$898 in FY2017) for each English learner identified by standards and assessments delineated by the Commissioner. The article restricts the funds to provide new services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner. The article requires the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funds align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.
- **Public School of Choice Density Aid:** Through Article 11, the Budget establishes a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The Budget includes \$1.5 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working

Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.

- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$5.2 million in FY2017, an increase of \$1.2 million over the FY2016 Budget as Enacted.
- **Central Falls Stabilization:** Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Budget funds this category at \$4.8 million in FY2017, an increase of \$1.1 million from the FY2016 Enacted level.
- **Davies Stabilization Fund:** Through Article 11, the Budget establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$1.5 million provided in FY2017 includes support to offset expenses for teacher salary and fringe benefit increase, since the teachers at Davies are part of the state system, increased transportation expenses, and the loss in revenues caused by the reduction in local tuition rates.
- **Met School Stabilization Fund:** Through Article 11, the Budget establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$132,516 provided in FY2017 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2016, the fifth year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2015 Budget as Enacted.

The following tables show the education aid including the formula distribution, categorical aid, and group home aid.

FY2017 Education Aid¹

Districts	FY2016 Enacted (excludes group home and categoricals)	FY2017 (Year 6) formula		Full-Day Kindergarten	Transportation	High-Special Education	Group Home Aid ²	English Learners	Public School Choice Density	Stabilization Funding	FY2017 Aid
		Change	Change								
Barrington	\$5,040,087	\$138,785	\$56,232	\$73,424	\$123,115	\$0	\$1,339	\$0	\$5,412,982		
Burrillville	12,982,749	(709)	-	34,510	11,802	-	721	-	13,111,213		
Charlestown	1,706,421	(18,500)	-	-	-	-	-	-	1,687,921		
Coventry	21,765,325	728,421	210,698	29,381	40,350	-	1,099	-	22,874,403		
Cranston	50,354,984	3,864,811	607,354	597,409	497,530	-	59,195	-	56,028,986		
Cumberland	16,552,780	1,106,574	-	154,954	77,357	-	2,123	86,800	17,980,588		
East Greenwich	2,770,431	(161,673)	17,555	40,121	143,759	-	274	-	2,810,468		
East Providence	30,348,208	1,896,906	-	17,079	263,702	-	25,391	-	33,101,437		
Foster	1,181,172	(17,174)	-	8,907	26,519	-	-	-	1,199,425		
Glocester	2,515,667	(119,138)	106,348	-	23,661	-	-	-	2,546,748		
Hopkinton	5,470,735	(84,666)	-	-	-	-	613	-	5,386,681		
Jamestown	438,478	425	-	-	34,940	-	33	-	473,875		
Johnston	13,920,605	1,651,553	198,160	334,103	23,407	-	14,412	-	16,142,240		
Lincoln	10,225,160	681,757	-	-	116,901	-	1,438	48,300	11,192,951		
Little Compton	398,464	14,803	-	-	-	-	-	-	413,267		
Middletown	8,369,412	(235,089)	-	-	143,318	-	9,787	-	8,621,817		
Narragansett	2,134,161	(19,960)	-	-	35,732	-	218	-	2,150,151		
Newport	10,402,340	318,254	-	-	16,538	-	16,406	-	10,938,355		
New Shoreham	85,500	25,326	-	-	19,887	-	455	-	131,168		
North Kingstown	10,662,516	(21,513)	205,003	-	48,838	-	2,268	-	10,897,113		
North Providence	17,944,337	1,602,965	-	175,072	246,223	-	14,368	-	20,168,708		
North Smithfield	5,683,082	277,004	-	37,185	71,106	-	1,007	-	6,177,520		
Pawtucket	78,238,483	4,449,427	-	168,578	134,928	-	188,827	288,400	83,927,607		
Portsmouth	4,212,562	(192,642)	-	-	166,554	-	389	-	4,787,380		
Providence	221,212,806	9,656,846	-	388,736	833,506	-	1,540,593	760,200	235,212,370		
Richmond	5,063,630	(222,647)	-	-	-	-	163	-	4,841,145		
Situate	3,909,685	(216,175)	18,468	47,004	35,619	-	-	-	3,794,602		
Smithfield	5,089,386	397,812	49,069	74,327	115,493	-	467	-	5,961,895		
South Kingstown	7,289,894	(295,623)	-	155,621	82,383	-	-	-	7,485,517		
Tiverton	6,027,039	121,185	82,620	-	53,122	-	304	-	6,284,270		
Warwick	36,354,185	642,987	371,025	37,750	432,542	-	6,548	-	38,252,321		
Westerly	8,272,261	452,628	-	57,242	177,873	-	1,898	-	8,904,660		
West Warwick	21,833,719	1,182,656	-	-	-	-	8,433	-	23,082,050		
Woonsocket	53,126,130	2,300,451	607,104	13,002	41,108	-	122,647	54,950	56,340,792		
Bristol-Warren ³	15,310,869	(579,482)	-	939,808	206,286	-	8,814	-	16,003,657		
Exeter-West Greenwich ³	5,387,085	(239,143)	83,121	903,061	131,533	-	727	-	6,384,057		
Charlho	191,602	(38,320)	-	1,606,730	49,320	-	-	-	1,809,332		
Foster-Glocester	4,872,233	(128,977)	-	329,629	57,424	-	-	-	5,130,308		
Central Falls	35,841,615	(1,524,963)	-	107,516	14,165	-	211,465	253,575	39,687,299		
District Total	\$743,185,800	\$27,395,178	\$2,592,756	\$6,351,359	\$4,496,543	\$4,797,072	\$2,242,422	\$1,492,225	\$797,337,279		
Charter School Total	67,513,058	7,664,670	-	-	3,460	-	129,264	-	75,310,452		
Davies ⁴	11,640,152	(597,104)	-	-	-	-	1,566	-	12,591,659		
Met School	9,864,425	(654,934)	-	-	-	-	-	-	132,516		
Urban Collaborative	856,203	259,087	-	-	-	-	-	-	1,115,290		
Total	833,059,638	\$34,066,897	\$2,592,756	\$6,351,359	\$4,500,000	\$4,797,072	\$2,373,252	\$1,492,225	\$895,696,685		

¹ Based on March 2016 enrollment updated for projected charter school growth.

² Based on final 12/31/2015 report from Rhode Island Department of Education.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

⁴ Reflects \$113,664 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

FY2017 Enacted Education Aid - Change to FY2016 Budget as Enacted¹

Districts	FY2016 Enacted (includes group home and categorical)	FY2017 (Year 6) Formula Change	High-cost Special Education				Public School Choice Density	Stabilization Funding	Total Change	Education Aid
			Full-Day Kindergarten Formula Aid ⁴	Transportation (change from FY2016)	Education (change from FY2016)	Group Home ² (change from FY2016)				
Barrington	\$5,157,096	\$138,785 (709)	\$36,232	\$32,339	\$47,191	\$0	\$0	\$1,339	\$255,886	\$5,412,982
Burrillville	13,301,213	(18,500)	-	20,457	(9,235)	(201,234)	-	721	(189,999)	13,111,214
Charlestown	1,706,421	(18,500)	-	-	-	-	-	-	(18,500)	1,687,921
Coventry	21,919,203	728,421	210,698	1,654	9,688	3,640	-	1,099	955,200	22,874,403
Cranston	51,129,520	3,864,811	607,354	117,438	249,318	1,348	-	59,195	4,899,465	56,028,984
Cumberland	16,689,944	1,106,574	-	54,733	40,414	-	-	2,123	-	17,980,588
East Greenwich	2,911,566	(161,673)	17,555	8,486	34,258	-	-	274	(101,099)	2,810,467
East Providence	31,094,816	1,896,906	-	17,079	27,843	39,402	-	25,391	2,006,621	33,101,437
Foster	1,206,855	(17,174)	-	1,365	8,378	-	-	-	(7,430)	1,199,425
Glocester	2,546,606	(119,138)	106,348	1,922	11,010	-	-	613	(84,054)	2,546,748
Hopkinton	5,470,735	(84,666)	-	-	-	-	-	33	17,624	5,386,681
Jamestown	456,252	425	-	-	17,166	-	-	14,412	-	473,875
Johnston	14,241,390	1,651,553	198,160	78,482	(41,755)	-	-	1,438	1,900,852	16,142,242
Lincoln	10,434,249	681,757	-	-	20,911	6,297	-	1,438	758,703	11,192,952
Little Compton	398,464	14,803	-	-	-	-	-	-	14,803	413,267
Middletown	8,723,282	(235,089)	-	-	91,466	32,372	-	9,787	(101,465)	8,621,817
Narragansett	2,154,808	(19,960)	-	-	15,085	218	-	218	(4,657)	2,150,151
Newport	10,597,219	318,254	-	-	5,683	793	-	16,406	341,136	10,938,355
New Shoreham	103,748	25,326	-	-	1,639	-	-	455	27,419	131,168
North Kingstown	10,693,934	(21,513)	205,003	-	17,420	-	-	2,268	-	203,179
North Providence	18,350,725	1,602,965	-	68,968	128,371	3,310	-	14,368	1,817,983	20,168,708
North Smithfield	5,824,567	277,004	-	19,010	49,645	6,287	-	1,007	352,952	6,177,520
Pawtucket	78,877,331	4,449,427	-	86,073	69,995	(32,446)	-	188,827	288,400	83,927,608
Portsmouth	4,797,771	(192,642)	-	-	117,528	64,335	-	389	(10,391)	4,787,380
Providence	223,060,894	9,656,846	-	98,099	359,791	(264,052)	-	1,540,593	760,200	235,212,370
Richmond	5,063,630	(22,647)	-	-	-	-	-	163	(22,484)	4,841,145
Scituate	3,974,845	(216,175)	18,468	1,482	15,982	-	-	-	(180,243)	3,794,602
Smithfield	5,348,196	397,812	49,069	35,937	114,093	16,320	-	467	613,699	5,961,895
South Kingstown	7,757,160	(295,623)	-	21,729	49,920	(47,669)	-	-	(271,643)	7,485,517
Tiverton	6,068,532	121,185	82,620	-	11,629	-	-	304	215,738	6,284,270
Warwick	36,764,895	642,987	371,025	32,763	274,164	159,940	-	6,548	1,487,427	38,252,321
Westerly	8,418,818	452,628	-	-	31,316	-	-	1,898	485,842	8,904,660
West Warwick	21,881,242	1,182,656	-	9,719	-	-	-	8,433	1,200,808	23,082,050
Woonsocket	53,233,700	2,300,451	607,104	(23,044)	24,237	20,747	-	122,647	3,107,092	56,340,792
Bristol-Warren ³	16,207,316	(579,482)	-	292,684	66,638	7,686	-	8,814	(203,660)	16,003,657
Exeter-West Greenwich ³	6,230,076	(239,143)	83,121	375,943	68,511	(135,177)	-	727	153,981	6,384,057
Charlho	1,322,689	(38,320)	-	502,031	22,932	-	-	-	486,643	1,809,332
Foster-Glocester	5,113,855	(128,977)	-	103,798	41,633	-	-	-	16,454	5,130,308
Central Falls	39,597,254	(1,524,963)	-	40,851	3,679	-	-	211,465	1,105,438	39,687,299
District Total	\$758,830,815	\$27,395,178	\$2,592,759	\$2,000,000	\$1,996,540	(\$318,100)	\$2,242,422	\$1,492,225	\$38,506,465	\$797,337,280
Charter School Total	67,513,058	7,664,670	-	-	3,460	-	-	129,264	7,797,394	75,310,452
Davies	11,640,152	(597,104)	-	-	-	-	-	1,566	1,547,045	12,591,659
Met School	9,864,425	(654,934)	-	-	-	-	-	-	132,516	9,342,007
Urban Collaborative	856,203	259,087	-	-	-	-	-	-	-	1,115,290
Total	\$848,704,653	\$34,066,897	\$2,592,759	\$2,000,000	\$2,000,000	(\$318,100)	\$2,373,252	\$1,492,225	\$2,784,999	\$895,696,686

¹ Based on March 2016 data updates.
² Based on final 12/31/2015 report from the Department of Children, Youth and Families.
³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.
⁴ FY2016 Enacted Full-Day Kindergarten from FY2016 is rolled into FY2016 Enacted column; consequently, this column shows the FY2017 amount.
Source: Rhode Island Department of Education

FY2017 Education Aid (March Data Update)

Change to the Formula Aid in the FY2016 Budget as Enacted

Change from Governor's Proposal

LEA	Governor's Submission	March 2016 Data Update	Difference	Full-Day			Public School			Total Change
				Kindergarten Formula Aid ¹	Transportation	Group Home Aid	Choice Density Aid	Stabilization funds		
Barrington	\$178,417	\$196,534	\$18,116	\$36,232	\$23,121	\$0	\$0	\$0	\$77,469	
Burrillville	(177,054)	(216,866)	(39,812)	-	10,867	16,000	-	-	(12,945)	
Charlestown	11	(18,500)	(18,511)	-	-	-	-	-	(18,511)	
Coventry	801,888	719,250	(82,638)	210,698	9,252	16,000	-	-	153,312	
Cranston	3,629,646	4,095,990	466,344	607,354	188,120	8,000	-	-	1,269,818	
Cumberland	1,103,918	1,314,650	210,732	-	48,794	-	(72,800)	-	186,726	
East Greenwich	(135,239)	(131,289)	3,950	17,555	12,634	-	-	-	34,139	
East Providence	1,663,108	1,897,243	234,135	-	5,378	104,000	-	-	343,513	
Foster	(4,131)	(10,236)	(6,105)	-	2,805	-	-	-	(3,300)	
Glocester	(117,713)	(112,570)	5,143	106,348	6,364	-	-	-	117,855	
Hopkinton	(86,505)	(84,054)	2,451	-	-	-	-	-	2,451	
Jamestown	19,490	17,624	(1,867)	-	-	-	-	-	(1,867)	
Johnston	1,405,630	1,597,485	191,855	198,160	105,207	-	-	-	495,222	
Lincoln	856,660	785,103	(71,557)	-	-	18,000	(44,400)	-	(97,957)	
Little Compton	13,724	14,803	1,079	-	-	-	-	-	1,079	
Middletown	(144,234)	(145,465)	(1,230)	-	-	44,000	-	-	42,770	
Narragansett	6,800	(4,657)	(11,457)	-	-	-	-	-	(11,457)	
Newport	26,439	313,136	286,697	-	-	28,000	-	-	314,697	
New Shoreham	30,033	27,419	(2,614)	-	-	-	-	-	(2,614)	
North Kingstown	43,791	(1,824)	(45,615)	205,003	-	-	-	-	159,388	
North Providence	1,694,933	1,730,854	35,921	-	55,129	32,000	-	-	123,050	
North Smithfield	377,582	325,243	(52,339)	-	11,709	16,000	-	-	(24,630)	
Pawtucket	4,387,826	5,106,493	718,666	-	53,084	100,000	(209,300)	-	662,450	
Portsmouth	(64,066)	(84,391)	(20,325)	-	-	74,000	-	-	53,675	
Providence	9,726,763	12,375,667	2,648,904	-	122,410	200,000	(546,600)	-	2,424,714	
Richmond	(208,504)	(222,484)	(13,980)	-	-	-	-	-	(13,980)	
Scituate	(192,188)	(213,512)	(21,324)	18,468	14,801	-	-	-	11,945	
Smithfield	501,514	509,225	7,711	49,069	23,405	32,000	-	-	112,185	
South Kingstown	(321,831)	(352,648)	(30,817)	-	49,004	32,000	-	-	50,187	
Tiverton	133,118	133,118	-	82,620	-	-	-	-	82,620	
Warwick	1,213,676	1,044,516	(169,160)	371,025	11,887	60,000	-	-	273,751	
Westerly	673,177	485,842	(187,335)	-	-	-	-	-	(187,335)	
West Warwick	993,764	1,182,782	189,019	-	18,025	-	-	-	207,044	
Woonsocket	2,712,480	2,511,645	(200,835)	607,104	4,094	16,000	(31,750)	-	394,613	
Bristol-Warren	(478,832)	(515,599)	(36,767)	-	295,939	16,000	-	-	275,172	
Exeter-West Greenwich	(211,837)	(229,509)	(17,672)	83,121	284,368	16,000	-	-	365,817	
Charlito	(19,304)	(19,304)	-	-	505,948	-	-	-	505,948	
Foster-Glocester	(88,472)	(87,344)	1,128	-	103,798	-	-	-	104,926	
Central Falls	8,670	54,438	45,768	-	33,856	-	(190,725)	192,477	81,376	
Subtotal District Aid	\$29,953,149	\$33,988,806	\$4,035,658	\$2,592,759	\$2,000,000	\$828,000	(\$1,095,575)	\$192,477	\$8,553,315	
Charter School Total	8,513,353	7,797,394	(715,959)	-	-	-	-	-	(715,959)	
Davies ¹	1,360,214	1,374,336	14,122	-	-	-	-	(422,829)	(408,707)	
Met School	(334,537)	(357,799)	(23,262)	-	-	-	-	(164,619)	(187,881)	
Urban Collaborative	285,505	259,087	(26,418)	-	-	-	-	-	(26,418)	
Total	\$39,777,683	\$43,061,824	\$3,284,141	\$2,592,759	\$2,000,000	\$828,000	(\$1,095,575)	(\$394,971)	\$7,214,350	

¹ Reflects March 2016 data updates which increase the aid by \$117,523. FY2016 Enacted Full-Day Kindergarten from FY2016 is rolled into FY2016 Enacted column.

Source: Rhode Island Department of Education

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 FY2017, the minimum state share is 35.0 percent and the maximum is 96.0 percent for Central Falls; the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects, between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extended the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2017, the Budget includes \$70.9 million, level funded to the FY2016 Budget as Enacted. For FY2016, the Department projects expenditures of \$66.8 million in school housing aid, a decrease of \$4.1 million from the FY2016 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Bond Refinancing Incentive Estimated Savings			
Summary			
Municipality	Local Savings	State Savings	Total Savings
Burrville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

School Building Authority Capital Fund: Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2017, the budget provides \$9.1 million in general revenue to capitalize the Capital Fund, a decrease of \$10.9 million from the FY2016 budget as Enacted.

FY2016 Supplemental Budget

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2016 Revised	Change to Enacted	% Change
General Revenue	\$3,453.9	\$3,552.0	\$3,572.6	\$20.6	0.6%
Federal Funds	2,895.2	2,947.3	3,085.3	138.0	4.5%
Restricted Receipts	236.0	245.5	309.1	63.6	20.6%
Other Funds	1,807.4	1,920.7	1,974.2	53.6	2.7%
Total	\$8,392.5	\$8,665.4	\$8,941.1	\$275.7	3.1%
FTE Authorization	15,100.7	15,118.4	15,116.3	(2.1)	0.0%

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

The FY2016 Supplemental Budget includes a \$20.6 million increase in general revenue expenditures compared to the FY2016 Budget as Enacted. Increases are largely due to increased debt service costs (\$13.5 million) in the Department of Administration; however, these increased costs are offset by decreases in general revenue to Public Higher Education to reflect debt service savings due to general obligation bond restructuring. Other general revenue increases include costs associated with the Unified Health Infrastructure Project (UHIP) (\$10.0 million), increased spending within DCYF due to higher than anticipated caseloads associated with the System of Care (\$2.2 million), and increased spending within BHDDH for programming services for the developmentally disabled (\$4.3 million). These increases are partially offset by savings within the Department of Revenue for the delay of license plate reissuance (\$3.0 million).

The remainder of this report provides an overview of FY2016 Supplemental Budget, organized by department.

DEPARTMENT OF ADMINISTRATION

Debt Service

\$13.5 million

The Budget increases general revenue debt service by \$13.5 million. The FY2016 Budget as Enacted included \$64.5 million in new general revenue from the restructuring and refinancing of existing state general obligation bonds. The refinancing resulted in the savings, but a portion of the savings was attributable to Transportation debt which is funded with other funds, and some of the savings was attributable to debt with Higher Education, which is reflected in the budgets of the three institutions.

Reappropriations from FY2015

\$6.9 million

The Budget includes \$6.9 million in reappropriations from FY2015.

Turnover and Operating Savings

(\$1.9 million)

The Budget decreases general revenue by \$1.9 million based on anticipated turnover savings for the Department of Administration. As of the May 28, 2016, payroll report, the Department has 74.2 FTE positions vacant reflecting a 10.4 percent vacancy ratio.

Statewide Operational Savings to FY2017

\$1.9 million

The FY2016 Budget as Enacted included \$8.2 million in statewide general revenue savings to be identified in the current fiscal year. This included \$5.0 million from personnel and operating reforms to be achieved in part through negotiations with the various labor bargaining units and \$3.2 million in further contractual and operating savings. The savings were stated under the Department of Administration to be distributed to State agencies as part of the revised budget. The FY2016 Revised Budget allocates \$6.3 million of these

amongst the State agencies. The balance, \$1.9 million is shifted to FY2017 as a negative appropriation and tasks the Department to identify savings in the next fiscal year. The Department requires a restoration of \$1.9 million in FY2016, reflecting the unachieved savings.

Land Use Planning Grant **(\$56,079)**

The Budget eliminates funding for the Land Use Planning Grant. These funds are used to reimburse municipalities for the costs of developing municipal comprehensive plans, including surveys, inventories and other data-gathering activities, planning and other technical staff, planning consultants, contracts for planning and related services. The Division of Statewide Planning has overseen the disbursement of these funds over the years, but has run into difficulty getting communities to complete the process for reimbursement. A total of \$56,079 remains unexpended. The Division has set June 30, 2016, as the deadline for all requests for reimbursements, so the program can be closed out.

Lean Government Grant (restricted receipts) **\$55,000**

The Budget adds \$55,000 in restricted receipts reflecting the receipt of a grant from the Rhode Island Foundation to the Office of Management and Budget for the integration of lean tools and resources to build lean processing tools among state employees. The Rhode Island Foundation grant totals \$110,000 to be split between FY2016 and FY2017.

Victims Assistance Portal (federal funds) **\$19,389**

The Budget adds \$19,389 in federal funds, reflecting the January 2016 receipt of a second grant from the federal Victims of Crime Act by the Division of Information Technology for enhancements to the Victim Assistance Portal. The portal is an online tool that allows for electronic claims submission. Previously all claims had to be sent in paper form.

Other Funds Changes (RICAP) **(\$2.9 million)**

The Budget includes a net decrease of \$2.9 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections on various projects. The Budget:

- Adds \$50,000 for ongoing maintenance issues as part of the State House Renovations project.
- Decreases funding by \$785,000 for the Zambarano Building Rehabilitation project to reflect the Department of Administration's revised project timeline.
- Decreases funding by \$235,000 for the Pastore Center Rehabilitation project to reflect the Department of Administration's revised project timeline.
- Adds \$80,000 for the Old State House project to reflect the Department of Administration's revised project timeline.
- Decreases funding by \$500,000 for the State Office Building project to reflect the Department of Administration's revised project timeline. This includes a shift of \$170,000 to FY2017 to complete the elevator replacement.
- Adds \$195,000 for the Old Colony House project to reflect expenditures consistent with the FY2016 Budget as Enacted.
- Decreases funding by \$353,000 for the Pastore Center Electrical Utility Upgrades to reflect the Department of Administration's revised project timeline.
- Adds \$22,000 to meet forecasted expenditures regarding two projects with an accelerated completion date. This completes the Bellville and Cherry Hill fuel depots.
- Increases the Big River Management Area project by \$50,000 to reflect unanticipated expenses occurring with the Fish Hill Road emergency culvert repair.

- Decreases funding by \$362,000 for the Chapin Health Laboratory RICAP project to reflect the Department of Administration’s revised project timeline.
- Decreases funding by \$170,000 for the Pastore Center Parking RICAP project to reflect the Department of Administration’s revised project timeline.
- Adds \$223,000 for the Pastore Water Tanks project to reflect the Department of Administration’s expenditure forecast.
- Decreases funding by \$1.1 million for the Virks Building Renovation project to reflect the Department of Administration’s revised project timeline.
- Increases funding by \$72,000 for the Pastore Cottages project reflecting additional costs to complete renovations to the three structures.
- Decreases funding by \$27,972 for the Ladd School Building Demolition. The project is complete. No further funding is required at this time.

DEPARTMENT OF BUSINESS REGULATION

Turnover Savings **(\$300,000)**

The Budget reduces general revenue by \$300,000 to reflect current year savings associated with personnel turnover, equivalent to approximately 2.3 FTEs. The enacted budget authorized 98.0 FTEs, and the Governor’s budget recommended the same. The Department averaged 17.0 vacant FTE positions for the fiscal year.

Staff Training and Technology Enhancements **(\$40,000)**

The Department began implementing a multi-year reform initiative across its divisions with the goal of increasing efficiency and providing better customer service. This “transformation” initiative consists of three elements – the implementation of lean processes and training, improvement of staff skills and the deployment of smart communication and management technology. The Budget reduces general revenues by \$40,000 for this initiative based on the changed implementation timeline, particularly relative to the technology enhancements, for which the Department is still developing its plan.

DEPARTMENT OF LABOR AND TRAINING

Misclassification Task Force **(\$90,678)**

The Budget eliminates the Governor’s proposal to bolster monitoring and workforce development initiatives at the Department. This eliminates 3.0 Labor Standards Examiners positions proposed for the Misclassification Task Force, in the Injured Worker Services and Workforce Regulation and Safety program, resulting in a decrease of \$90,678 in general revenue and a decrease of \$86,711 in restricted receipts to fund a portion of the personnel costs.

Unemployment Insurance (other funds) **\$2.8 million**

The Budget increases other fund expenditures by \$2.8 million for projected higher Unemployment Insurance (UI) benefit payments to other states (\$2.2 million), increased Reed Act expenses (\$315,000), and increased UI Trust Fund availability (\$288,499).

Workforce Development Services (federal funds) **\$272,845**

The Budget adds \$272,845 in federal funds, reflecting an increase of \$96,042 in projected expenditures for the Workforce Innovation and Opportunity Act grant, and an increase of \$176,803 for a new Women’s Paid Leave grant.

The Women's Paid Leave grant was awarded to the Department from the U. S. Department of Labor to the University of Rhode Island for research and analysis of a "Temporary Caregiver Insurance (TCI) Expansion Project." The project includes gap analysis addressing issues and subsequent activities to expand access to the TCI program.

Grant Monitoring and Evaluation (restricted receipts) **(\$90,744)**

The Budget eliminates a 1.0 Principal Auditor position and 2.0 Senior. Monitoring and Evaluation Specialists, proposed for grant monitoring and evaluation in Workforce Development Services program, resulting in a decrease of \$90,744 in restricted receipts to fund a portion of the personnel costs and a decrease of \$60,498 in federal funds to fund a portion of the personnel costs.

State Workforce and Education Alignment Project (other funds) **(\$70,011)**

The Budget eliminates the Governor's proposal to bolster monitoring and workforce development initiatives at the Department. This action eliminates 1.0 Principal Research Technician position proposed for the State Workforce and Education Alignment Project in the Workforce Development Services program, resulting in a decrease of \$70,011 in other funds for personnel costs.

DEPARTMENT OF REVENUE

Delay License Plate Reissuance **(\$3.0 million)**

The Budget includes general revenue savings of \$3.0 million due to the delay of license plate reissuance from July 1, 2016, to April 1, 2017.

Property Revaluation Reimbursements **(\$394,510)**

The Budget reduces general revenue by \$394,510 based upon the actual costs of reimbursements for property revaluations being conducted by cities and towns in FY2016. The original amount in the Budget was based upon the most recent cost estimates at the time of its preparation.

Legal Costs **\$321,388**

The Budget increases expenditures associated with legal costs associated with the Central Coventry Fire District and Central Falls bankruptcy by \$321,388.

DMV Extended Hours **\$39,829**

The DMV is planning to pilot weekend (Saturday) hours at two registry branches. Woonsocket and Middletown are the locations being considered, with operating hours suggested to be 8:30-12:30. It is proposed that each branch be staffed with one supervisor, 3 customer service representatives and a capitol police officer. The Budget includes an additional \$39,829 for additional costs associated with the extended hours.

Municipal Incentive Aid Reappropriation **(\$104)**

The Budget reduces general revenue by \$104 as a technical adjustment to the municipal aid reappropriation.

Lottery Commission Payments (other funds) **(\$8.4 million)**

Based on the May 2016 Revenue Estimating Conference's revised figures, revenue from the Lottery will be 3.0 percent lower in FY2016 as compared to the previous year. The result is a corresponding decrease in overall prize payouts, therefore the Budget reduces other funds for these payouts by \$8.4 million.

Division of Taxation - Federal Grants to Fisherman (federal funds) **\$519,700**

\$519,700 in federal funds have been added to the Budget reflecting the 2016 receipt of an additional round of National Oceanographic and Atmospheric Administration (NOAA) grant funding from its Groundfish Disaster Fund. The Department of Revenue pays fishermen on behalf of the Department of Environmental

Management for lost income experienced as result of fish kills in RI fisheries. Stricter limitations have been put on catch limits for groundfish in the Northeast Region. Different regions throughout the country had different disasters declared for various fish types. Federal funds have been made available to assist boats/fisherman during such conditions. RI DEM awards funds to owners and fishermen based on eligibility criteria established within the grant application. The Division of Taxation distributes the awards after each awardee is reviewed to see if they had outstanding debt (taxes, child support, unemployment, etc.). Debts are offset prior to distribution of the funds.

Lottery Building Renovations (RICAP) **\$206,303**

Renovations at the Pontiac Avenue headquarters of the Lottery will be completed in FY2016. The Budget increases capital funds by \$206,303 in order to complete the final stage, the upgrade to the HVAC system.

Motor Fuel Tax Evasion (other funds) **\$160,000**

The Department of Transportation (DOT) has provided the Department of Revenue with \$160,000 in other funds to implement part of a new grant with the purpose of reviewing compliance with the Motor Fuel Tax. DOT receives federal funds through Federal Highway Administration for motor fuel enforcement efforts. Many of these efforts are implemented by the Division of Taxation. Taxation tracks the hours worked on the grant and submits an invoice to DOT quarterly for reimbursement. This agreement ends June 30, 2017.

OFFICE OF THE SECRETARY OF STATE

Voter Rolls Improvement Grant (restricted receipts) **\$35,000**

As result of its membership and work with the Electronic Registration Information Center (a national non-profit whose mission is to improve the administration of election registrations), the Secretary of State received a Pew Charitable Trust funded grant of \$35,000 (restricted receipt) to advance the accuracy of voter registration in Rhode Island. The period of performance of the grant takes place within FY2016.

OFFICE OF THE GENERAL TREASURER

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

The Budget decreases general revenue by \$100,000 reflecting reduced banking service expenses as stated in Treasury's 3rd Quarter Report. The Treasurer's Office reports that the "State's improved cash position, rising interest rates and more sophisticated cash management techniques" as the reason for the reduced costs.

Unclaimed Property (restricted receipts) **\$3.8 million**

The Budget increases \$3.8 million in restricted receipt expenses associated with the transfer to the state general fund, reduced claim payments, and an increase in the fund liability reserve costs to support the Unclaimed Property program. The need for the additional expenditures was determined during the May 2016 Revenue Estimating Conference.

OFFICE OF THE GOVERNOR

Reappropriation **(\$91,630)**

The Budget reduces general revenue by \$91,630 adjusting for the salary and benefits portion of Governor's Office's reappropriation amount.

EXECUTIVE OFFICE OF COMMERCE

Shifting Funds from Anchor Tax Credit **\$1.0 million**

The Budget shifts \$1.0 million from the Anchor Tax Credit program, and increases the Innovation Network Grant Program and the Innovation Voucher Program by \$500,000 each.

Turnover **(\$250,000)**

The Budget decreases general revenue by \$250,000 based on anticipated turnover savings as stated in the 3rd Quarter Report. As of the May 28, 2016, payroll report, the Department has 2.0 FTE positions vacant reflecting a 12.5 percent vacancy ratio.

Community Service Objectives **(\$237,000)**

The Budget reduces funding by \$237,000 in general revenue reflecting undistributed awards to two organizations, including a reduction of \$187,000 to the Small Business Administration, which is a federal government program and cannot accept state appropriations, and a reduction of \$50,000 to the Ocean State Higher Education Economic Development and Administrative Network (OSHEAN).

Housing and Community Development (federal funds) **\$2.7 million**

The Budget increases federal funds by \$2.7 million, reflecting increased funding for five federal grants within the Housing and Community Development Program, including \$2.0 million for the FY2014 Community Development Block Grant (CDBG), \$500,000 for the recently awarded FY2015 CDBG received by the State, \$75,000 for the CDBG Administrative grant, \$70,000 to close out the FY2009 CDBG award, and \$10,000 for the Housing Preservation grant expenditures expected during FY2016.

I-195 Redevelopment District Commission – RICAP (other funds) **\$11,240**

The Budget increases RICAP funds by \$11,240 for permitting, modeling, and architectural and engineering costs incurred by the I-195 Redevelopment District Commission to prepare the parcels for development. The increase in funds reflects the unspent portion of the RICAP appropriation from the FY2015 Budget as Enacted to FY2016. The Commission was created to acquire and administer the development of over 40 acres of former I-195 highway land. To assist with this task, the Commission requires architectural, engineering, and other professional services.

Analyst's Note: The FY2017-FY2021 Capital Budget includes the requested RICAP appropriation of \$311,240, reflecting the re-appropriation of the unspent funds from FY2015; however, the re-appropriated amount was inadvertently left out in the Governor's original supplemental budget in 2016-H-7454 (Article 10) for FY2016.

Economic Development Initiative Program **Informational**

The Budget provides a technical change for two line items within the Economic Development Initiatives program of the Commerce budget. There is no fiscal impact. The amendment renames Innovation Network Grants line item the Innovation Initiative and renames the Innovation Vouchers program the Innovation Network Grants program.

OFFICE OF HEALTH AND HUMAN SERVICES**Unified Health Infrastructure Project** **\$10.0 million**

The Unified Health Infrastructure Project (UHIP) is funded with IT Investment Funds and general revenue totaling an increase of \$10.0 million in general revenue over the Enacted Budget. Planned allotments are to integrate the Worker Portal, improve the Citizen's Portal, and improve the RI Bridges Worker Portal.

May Caseload Conference **\$2.0 million**

The May Caseload Estimating Conference (CEC) increases FY2016 general revenue expenditures by \$2.0 million and reduces federal fund expenditures by \$30.0 million as a result of increased spending in Rhody Health Options and Managed Care. Federal fund expenditures will decrease by \$30.0 million primarily due to lower than expected costs associated with Medicaid expansion members.

Turnover Savings **(\$749,293)**

General revenues are reduced by \$749,293 for associated turnover savings within the Department. The Department's third quarter report included 163.0 filled FTE positions, with 24.0 FTE positions remaining vacant. The Budget assumes saving associated with the vacant FTE positions.

Contracted Services **\$637,605**

The Budget includes an increase in general revenue of \$637,605 for contract services including Medicaid Budget and Reform, Hospital Admissions Screening and Utilization, and Electronic Visit Verification and Monitoring.

Utilization Review Contract **(\$389,701)**

The Budget reduces general revenues by \$389,701 due to reduced services needed for the hospital admissions screening and utilization review contract administered by the EOHHS.

Electronic Visit Verification **(\$252,203)**

The Budget includes a reduction of \$252,203 in general revenues expenditures associated with the Reinventing Medicaid program integrity initiative, Electronic Visit Verification (EVV). Delayed implementation has resulted in unexpended funds previously earmarked for contracted vendors in FY2016.

The EVV program that will monitor the delivery of Medicaid home based services such as personal care and homemaker services. Implementation of the initiative is ongoing.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**System of Care Networks** **\$2.2 million**

The Budget includes a net increase in general revenue of \$2.2 million, primarily due to increased costs within the System of Care (residential services, foster care, and group homes) based on current caseload trends and continuation of network administrative services (\$5.5 million); a rate increase for foster subsidies from \$16.05 per day to \$18.59 per day (\$1.0 million); and, a 3.0 percent rate increase for day care providers negotiated by the Department of Human Services (\$1.2 million). General revenue increases are partially offset by utilizing \$3.4 million in federal funds for Medicaid-eligible community based services within the System of Care that had not been previously claimed, and department-wide turnover savings.

Youth Group Homes (RICAP) **(\$590,000)**

The Budget transfers \$590,000 unspent RICAP funds for Youth Group Homes from FY2016 to FY2017. The Department of Children, Youth, and Families (DCYF) assesses and upgrades fire protection systems to all 111 privately owned and operated youth group homes and facilities throughout the State. The upgrades ensure facilities are compliant with current fire code. The Department continues to work with private providers assessing and reviewing needed upgrades, therefore they have not expended the FY2016 appropriation and expects the funds will be expended in FY2017.

DEPARTMENT OF HEALTH**Environmental Health Services Regulation** **\$458,150**

The Budget is increased by \$458,150 primarily due to the restructuring of the Department that occurred in FY2016; however, the enacted budget reflects the former organizational structure. This reorganization was done to provide enhanced customer service, particularly in the areas of professional licensing and facilities. The Budget funds a new position for the Center of Professional Boards, operating costs in health professional licensing, temporary clerical support, and a dental board contractor.

Health Laboratories **(\$284,941)**

The Budget is reduced by \$284,941 in general revenue funds, primarily due to staff vacancies. There is a Chief Biological Scientist vacancy, and two unfilled Forensic Scientist positions.

Turnover **(\$250,000)**

The Budget decreases general revenues by \$250,000 to account for additional personnel turnover, equivalent to approximately 2.5 FTEs. The enacted budget authorized 490.6 FTEs, and the Governor's budget funded approximately 462.0 FTEs. As of May 14, 2016, the Department had 445.6 filled FTEs.

Community and Family Health and Equity Programs (restricted receipts) **\$2.2 million**

The Budget increases restricted receipts that are funded via an assessment on health insurers to purchase the state supply of vaccines by \$2.2 million. The Budget increase is to purchase Meningococcal B vaccines, which were not originally included in the enacted budget. The vaccine is recommended by the Vaccine Advisory Committee to be offered as part of the state supply. The Department purchases the vaccine and then disperses it to community health providers.

DEPARTMENT OF HUMAN SERVICES**Turnover** **(\$1.5 million)**

The Budget decreases general revenues by \$1.5 million and federal funds by \$1.6 million to account for additional personnel turnover, equivalent to approximately 31.6 FTEs. The enacted budget authorized 959.1 FTEs, and the Governor's budget funded 912.2 FTEs. As of May 14, 2016, the Department had 874.1 filled FTEs.

Home and Community Care CNOM **(\$276,670)**

The Budget decreases general revenue by \$276,670 in the Division of Elderly Affairs. Additionally, there is an associated federal funds decrease of \$444,028 due to federal medical assistance percentages (FMAP) matching rates. This decrease, reflected in the Department's third quarter report, is due to current year spending in the CNOM Day Care program and CNOM Home Care program.

May Caseload Estimating Conference—Cash Assistance **\$156,437**

The Budget increases general revenue by \$156,437 and decreases federal funds by \$3.1 million as adopted by the May Caseload Estimating Conference. The general revenue increase is due to an increase of \$133,445 in the Supplemental Security Income Program and an increase of \$22,922 in General Public Assistance. The federal funds decrease is primarily due to the optimization of the Temporary Assistance to Needy Families (TANF) block grant in relation to the State's Child Care Assistance Program. The State is able to charge the TANF block grant above the 30.0 percent cap on child care spending, which was previously considered to be unallowable.

Community Service Grant **(\$2,372)**

The Budget decreases general revenue by \$2,372 due to CODAC Behavioral Healthcare declining a Community Service Grant.

Disability Determination Services (federal funds) **\$2.0 million**

The Budget increases federal funds by \$2.0 million in the Office of Rehabilitation within the Individual and Family Support Program. Per the Social Security Administration, medical consultants within the Disability Determination unit will experience a 20.0 percent salary increase.

LIHEAP Audit (federal funds) **\$640,860**

The Budget increases federal funds by \$640,860 in the Individual and Family Support Program. This increase is due to audit findings from a previous year that allowed the State to recoup federal funds. The funds will be allocated to the Low-Income Home Energy Assistance Program (LIHEAP).

Veterans' Affairs (restricted receipts) \$576,326

The Budget increases in restricted receipts by \$576,326. A portion of this increase, \$461,692, is due to an error the Department made in their budget submission. Additionally, there is an increase of \$114,634 due to a recently settled wrongful termination lawsuit settlement.

Refugee School Impact Program (federal funds) \$299,604

The Budget increases federal funds by \$299,604 in the Individual and Family Support Program. This increase is due to funding awarded to the Refugee School Impact Program within the Division of Refugee Assistance. The funding supports activities that promote integration and education of refugee children.

Unified Health Infrastructure Project Informational

The Department is projected to spend an additional \$3.0 million on the Unified Health Infrastructure Project (UHIP) in FY2016. The additional spending on UHIP was funded via the IT Fund instead of general revenue funds. The IT Fund is found under the Department of Administration.

DEPARTMENT OF BEHAVIORAL HEALTH, DEVELOPMENTAL DISABILITIES, AND HOSPITALS**Developmentally Disabled Programming \$4.3 million**

The Budget includes \$4.3 million more for programming for services for the developmentally disabled (DD). The change is due partially due to a \$5.2 million increase for DD service provider payments. Additionally, there was an unachieved savings initiative that intended to shift individuals from group home settings to Shared Living Arrangements. These increases are partially offset by a \$1.1 million savings from the reallocation of professional supports to Medicaid managed care, and a decrease of \$915,585 in reduced general revenue spending in the Divisions of Central Management, Hospital and Community Support, Behavioral Healthcare and Hospital and Community Habilitative Services.

Other Funds Changes (RICAP) (\$1.1 million)

The Budget decreases \$1.1 million in Rhode Island Capital Plan (RICAP) funding in FY2016 due to updated expenditure projections for several projects.

- \$438,528 decrease in RICAP funding for improvements to administrative buildings at the Pastore Complex, shifting \$237,736 to FY2017.
- \$250,000 decrease in RICAP funding for Fire Code upgrades to community mental health and development disability facilities.
- \$250,000 decrease in RICAP funding for improvements to community mental health facilities.
- \$200,000 decrease in RICAP funding for Fire Code upgrades to private developmental disability facilities. Additionally, the Budget reduces \$350,000 in federal matching funding for this project in FY2016.
- \$181,860 increase in RICAP funding for rehabilitation and improvements to Eleanor Slater Hospital.
- \$164,240 decrease in funding for improvements to state owned regional developmental disability facilities.

GOVERNOR'S COMMISSION ON DISABILITIES**Help America Vote Act (HAVA) Grant (federal funds) \$10,466**

The Budget adds \$10,466 in federal funds from the Help America Vote Act (HAVA) grant. The increase in the appropriation is necessary to fully expend the federal funds prior to the expiration of the grant funding

on June 30, 2016. The Commission utilizes the HAVA grant to fund accessibility renovations to make polling places accessible to individuals with disabilities and to promote access and participation of individuals with disabilities in elections.

ELEMENTARY AND SECONDARY EDUCATION

ACES Personnel and Operating Savings **(\$600,000)**

The Budget includes \$600,000 in general revenue personnel and operating savings within the Department. The personnel savings is due to holding positions open longer than anticipated. At an average cost of \$123,171, the reduction equates to 4.9 positions. As of the May 2, 2016, the Department of Elementary and Secondary Education has 23.4 vacancies.

JASON Project - Community Service Grants **(\$500,000)**

The Budget decreases community service grants by \$500,000 in general revenue for the JASON Project, since the grant was not awarded in FY2016. The JASON Project was founded in 1989 to provide curriculum and learning experiences in science, technology, engineering, and math (STEM) for K-12 students, and high-quality professional development for teachers. Available online at jason.org, JASON's curricula place students in real-world situations where they are connected with and mentored by leading STEM professionals. Each curriculum features print and digital materials, hands-on activities, videos and online games for students, as well as lesson plans, implementation tips, professional development, and a powerful digital platform for educators.

School for the Deaf Personnel Savings **(\$200,000)**

The Budget includes \$200,000 in additional turnover savings within the School for the Deaf from holding positions open longer than anticipated. At an average cost of \$98,830, the reduction equates to 2.0 positions. As of the May 2, 2016, the School for the Deaf has 5.6 vacancies.

Administration of Comprehensive Education System **(\$131,553)**

The Administration of the Comprehensive Education System (ACES) is reduced by \$131,553 primarily to reflect savings from eliminating funding for the Department of Justice Consent Decree Monitoring (\$125,000) resulting from the investigation of the Training Thru Placement program at the Harold H. Birch Vocational Program at Mount Pleasant High School. The costs of monitoring will be included in the BHDDH budget for FY2016 and FY2017.

United Providence – Community Service Grants **(\$100,000)**

The Budget eliminates funding for the community service grant to United Providence (UP). UP was a school reform partnership between the Providence School District and the American Federation of Teachers established to transform three of the lowest performing schools in the State, Alvarez High School, Gilbert Stuart Middle School, and Lauro Elementary School. The UP was dissolved in 2015.

Education Aid **(\$12,465)**

Education aid is reduced by \$12,465 due to non-public textbook savings of \$89,291, based on actual reimbursements and a mid-year adjustment for a charter school saving \$98,800, partially offset by an increase in group home bed costs of \$180,000 in Warwick (\$150,000 for 10 beds) and Woonsocket (\$30,000 for two beds).

Rhode Island Legal/Educational Partnership (Mock Trials) – Community Service Grants **(\$3,020)**

The Rhode Island Legal/Educational Partnership (Partnership) has produced the Rhode Island Mock Trial Tournament since 1984 to educate student participants about the judicial system and provide an opportunity to gain new perspectives and self-confidence. The budget eliminates funding for this program since the non-profit status of the Partnership was revoked.

Other Funds Changes (RICAP) (\$3.8 million)

The Budget includes a net decrease of \$3.8 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects. The Budget:

- Reduces FY2016 funding by \$3.3 million for the Metropolitan School HVAC project to reflect updated project schedules. Funding is shifted from FY2016 into FY2017 and FY2018.
- Reduces FY2016 funding by \$498,000 Davies HVAC project to project to reflect updated project schedules: The funding is shifted into FY2017 and FY2018.

PUBLIC HIGHER EDUCATION**General Obligation Debt Service (\$14.6 million)**

General revenue is decreased by \$14.6 million due to the restructuring/refunding of general revenue financed debt service to provide additional resources to support economic development and technology improvements around the State.

Statewide Savings (\$689,966)

Statewide adjustments on medical premiums, telecom, and energy costs provide an additional \$689,966 in general revenue savings.

College Access Challenge Grant (federal funds) \$606,500

The Budget increases federal funding for the College Access Challenge Grant by \$606,500, for a total amount of \$1.4 million. The increase is for awards committed in FY2015 that will be disbursed in FY2016. The grant funds provide professional development for school counselors, college admissions and financial aid administrators to increase postsecondary attainment for underrepresented students. FY2016 is the final year of funding for this five-year grant program.

Prepare RI (other funds) \$409,120

The Budget includes \$1.3 million from the tuition savings program for a dual and concurrent enrollment initiative that will allow qualified high school students to earn credits at their high school and credits at state public colleges and universities (URI, CCRI, and RIC) at no cost to the student. Concurrent enrollment is defined as credit hours earned when a high school student is taking a college course for both high school and college credit during the high school day. Dual enrollment allows a high school student to be enrolled at a local institution of higher education. If a student passes a college class, the credits received may be applied toward a high school diploma and toward a college degree as well. Due to demand exceeding projections, the program is expected to exceed the previously authorized expenditure by \$409,120.

RHODE ISLAND STATE COUNCIL ON THE ARTS**Providence Performing Arts Center - Community Service Grants (\$15,188)**

The Providence Performing Arts Center (PPAC) has been a long-time recipient of a \$15,188 community service grant; however, the PPAC has indicated to the Rhode Island Council on the Arts (RISCA) that they will no longer be claiming the grant.

RHODE ISLAND ATOMIC ENERGY COMMISSION**Equipment Purchase (federal funds) \$17,886**

The Budget shifts \$17,886 in federal grant funding from the Department of Energy to FY2016 from FY2017 in order to provide for an equipment purchase in FY2016. The upgrade will integrate systems that monitor gamma, neutron, noble gas, and air particulate activity in the facility.

RHODE ISLAND HISTORICAL PRESERVATION AND HERITAGE COMMISSION***Community Service Objective Grant* (\$4,808)**

The Budget reduces general revenue for community service objective grant support to the Historic Preservation Heritage Commission by \$4,808 for unspent funds related to the Rhode Island Japan Society, Language and Cultural Center. The Center is no longer eligible to receive funding due to revocation of their corporation status.

DEPARTMENT OF THE ATTORNEY GENERAL***Personnel and Operating Savings* (\$900,000)**

The Budget decreases general revenues by \$900,000 to account for FTE positions and operating savings. The enacted budget authorized 236.1 FTE positions, and the Governor's budget funded approximately 234.3 FTEs. As of May 14, the Department had 231.1 filled FTEs.

DEPARTMENT OF CORRECTIONS***Overtime* \$4.4 million**

The Budget increases overtime costs by \$4.4 million due to the opening of closed modules, increased use of double overtime, and the delay in the correctional officer training class due to the continued uncertainty regarding the litigation brought by the U.S. Department of Justice concerning the fairness of the correctional officer training process.

***Turnover* (\$1.0 million)**

The Budget decreases general revenues by \$1.0 million to account for additional personnel turnover, equivalent to approximately 8.14 FTEs. The enacted budget authorized 1,419.0 FTEs and the Governor's budget funded approximately 1,361.7 FTEs. As of May 14, the Department had 1,317.0 filled FTEs.

***COLA Calculation* (\$500,000)**

Based upon the Department's third quarter projections, cost of living adjustment (COLA) expenditures are lower than planned. The Budget reduces general revenue by the \$500,000 in savings.

***Pharmaceutical Savings* (\$400,000)**

Based on overall inmate population reduction and the corresponding reduction in per-diem pharmaceutical costs in FY2016, general revenue is reduced by \$400,000 in the Budget.

***SCAAP* (\$25,577)**

The Department is transferring correctional officer overtime from the budgeted Intake Service Center (general revenue funds) to the federally-funded State Criminal Alien Assistance Program (SCAAP). The latter program received an additional award from the US Bureau of Justice to house incarcerated/undocumented inmates. There is a corresponding increase in federal funds.

***Other Funds Changes (RICAP)* (\$3.3 million)**

Based upon revised expenditure projections and timelines provided by DOC and the Governor's budget amendments, the Budget shifts funding for capital projects which are incomplete or have yet to begin. Changes include:

- \$711,000 decrease in RICAP for Bernadette Guay roof renovation project, which has been moved out to FY2018, based on updated projections for current projects and expenditures for other projects which were completed in the fiscal year.
- \$2.0 million for Medium Infrastructure renovations is delayed (out to FY2018) as the Department has yet to award the design contract.

- \$600,000 in RICAP funding for Maximum Security facility renovations is shifted to FY2018.

Custody and Security (restricted receipts) **\$35,000**

The U.S. Department of Justice has approved the use of \$35,000 in federal asset forfeiture funds to assist DOC in its participation in law enforcement activities. The approval was predicated on the Department's participation on both a Bureau of Alcohol, Tobacco and Firearm and Explosive task force and a Federal Bureau of Investigation task force. It is anticipated that the funds will be used to DOC investigations.

JUDICIARY

Turnover and Operational Savings **(\$400,000)**

The Budget decreases general revenues by \$400,000 to account for additional personnel turnover, equivalent to approximately 3.6 FTEs. The enacted budget authorized 724.3, and the Governor's budget funded approximately 695.4 FTEs. As of May 14, the Department had 663.4 filled FTEs.

Veteran's Treatment Calendar Grant (federal funds) **\$108,326**

The Budget allots \$108,326 in federal grant funds to pay for personnel resources to staff a new jail diversion program for veterans and an initiative to improve approaches to veteran specific substance abuse issues. The uses of the grant funds for these purposes have been approved by the U.S. Department of Justice.

MILITARY STAFF

Cybersecurity Commission Initiative **(\$50,000)**

The Budget removes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Rhode Island National Guard does not anticipate any expenditures on this item because the plans implementing the State's cybersecurity protection are not yet finalized. Therefore, the appropriation can be removed from the current fiscal year.

National Guard Anti-Terrorism Program (federal funds) **\$72,047**

The Budget adds \$72,047 in federal funds to fund two 100.0 percent federally-reimbursable contracted service positions within the National Guard Anti-Terrorism program and Distance Learning program. This includes an Army National Guard Anti-Terrorism Program Manager II position at \$34,829 and an Information Technology System Supervisor position at \$36,410. Neither position will impact the agency's FTE authorization level.

Other Funds Changes (RICAP) **(\$700,000)**

The Budget includes a decrease of \$700,000 in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections on various projects. The Budget:

- Decreases funding by \$500,000 for the new Joint Force Headquarters Building project, to reflect the Rhode Island National Guard's revised project timeline.
- Decreases funding by \$200,000 for various asset protection projects to reflect the Rhode Island National Guard's revised timeline projecting the bulk of the planning and construction to occur during FY2018.

DEPARTMENT OF PUBLIC SAFETY

Personnel Shift to Restricted Receipts **(\$2.4 million)**

The Budget includes a \$2.4 million decrease in general revenue due to a one-time shift of expenditures to the Google forfeiture funds (restricted receipts) for the cost of salaries and benefits within the State Police budget.

Pre-1987 Pension Trust Fund for State Police**\$1.0 million**

The Budget capitalizes the new pension trust with \$1.0 million in general revenue. This investment is accompanied by an additional \$14.0 million in Google forfeiture funding. The fund was established for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go system.

Operating Supplies and Expenses to Restricted Receipts**(\$981,458)**

The Budget includes \$981,458 reduction in software maintenance contracts that have been shifted to the Google forfeiture funds for FY2016. This is a one-time shift.

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

The Budget reduces general revenue by the \$600,000 (equivalent to approximately 6.0 FTEs) to reflect current year savings associated with personnel. The Department has averaged 573.3 filled full-time positions through May 2016, 59.9 fewer than authorized.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**Operating Supplies and Expenses****\$804,520**

The Budget increases by \$804,520 for one-time expenses for tree removal and trimming and the clearing of debris and stumps at state facilities due to damage caused by the August 4, 2015, macro-burst thunderstorms.

Personnel Savings**(\$75,000)**

Based on projections in the third quarter report, the Budget contains an additional \$75,000 in personnel savings to reflect estimated salary and benefit costs in FY2016. At an average cost of \$111,875, the reduction equates to 0.7 positions. As of the May 14, 2016, full-time equivalent (FTE) positions report, the Department of Environmental Management has 19.0 vacancies.

Other Funds Changes (RICAP)**(\$2.9 million)**

The Budget includes a net decrease of \$2.9 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects. The Budget:

FY2016 based on current expenditures and projections for various projects. The Budget:

- Reduces FY2016 funding by \$730,000 for the State-owned dam rehabilitation to reflect updated project schedules: \$230,000 is shifted into FY2017.
- Adds \$376,869 for the Fort Adams Sailing Improvements to close out the heavy-duty pier project. When the Volvo Races began in May 2015, it was assumed the project was completed; however, some final items and the retainage remained. The work was put on hold for the summer. After the end of FY2015, the project was completed and the Department received the final bill but the project had been considered finished and the remaining funds redistributed.
- Shifts \$100,000 from FY2016 to FY2018 for the Marine Infrastructure/Pier Development rehabilitation to reflect updated project schedules.
- Shifts \$2.4 million from FY2016 to FY2017 and FY2018 for the Natural Resources Offices/Visitor's Center to reflect updated project schedules.

Statewide Trail Recreational Projects (other funds)**\$1.3 million**

The Budget increases funding for DOT Recreational Projects by \$1.3 million to reflect projected expenditures for FY2016. The funds will be used for trail design, construction, and maintenance at Rocky Point in Warwick and Oak Bluffs on Block Island.

COASTAL RESOURCES MANAGEMENT COUNCIL***Narrow River Salt March Restoration Project (federal funds)******(\$1.8 million)***

Funding from the United States Fish and Wildlife Services (USFWS) will be used to restore the Narrow River estuary and adjacent shoreline through dredging, enhanced salt marsh elevation, and creation of 3.5 acres of salt marsh to protect the area from erosion. However, due to project schedules, the USFWS has decided to complete the project through the Nature Conservancy, instead of the Coastal Resources Management Council (CRMC); consequently, federal funding for this project will be reduced by \$1.8 million in FY2016. The CRMC is still providing dredging expertise for the project.

Coastal Environmental Risk Index (federal funds)***\$150,000***

The Budget increases federal funding by \$150,000 for the first year of a new federal grant from the Housing and Urban Development Community Development Block Grant (HUD CDBG) disaster funding. The grant will be used to develop a Coastal Environmental Risk Index (CERI) through a cooperative agreement between the University of Rhode Island and the Coastal Resources Management Council (CRMC). The CERI will be an on-line tool to assess the risk to structures and infrastructures from storm surge, waves, sea level rise, and shoreline erosion. The grant, totaling \$200,000 over two years, will be used to develop a pilot project in Charlestown and Warwick.

HUD-Pawtuxet River Modeling Project (federal funds)***\$25,089***

The Budget increases federal funding by \$25,089 for the HUD-Pawtuxet River Modeling Project. Through a partnership between the University of Rhode Island Ocean Engineering Department and the CRMC, the project will develop a hydrological, hydraulic model for the Pawtuxet watershed to help with flood mitigation and planning. The total grant award is \$175,059 for the project.

Other Funds Changes (RICAP)***(\$323,401)***

The Budget includes a net decrease of \$323,401 in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects:

- Shifts \$321,775 for the South Coast Restoration Project from FY2016 into FY2017 to reflect updated project schedules. The project will help the marsh adapt more quickly to future sea level rise, reduce erosion, and mitigate flooding of the area during future storm surges.
- Eliminates \$1,626 for the Shoreline Change Beach Special Area Management Plan (SAMP) to reflect final project costs. The SAMP is intended to provide practical, science-based tools and techniques for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise.

DEPARTMENT OF TRANSPORTATION***Winter Maintenance (other funds)******\$3.5 million***

The Budget adds \$3.5 million in gas tax revenue for winter maintenance, including private vendors conducting snow plowing operations; materials such as liquid deicers, sand and salt; and vehicle repairs, maintenance, and fuel costs incurred during winter storm operations. This includes \$538,250 in increased overtime costs and \$612,000 for sand and salt to reflect prior year expenditures.

RhodeWorks (other funds)***\$850,000***

Gas tax revenues totaling \$850,000 are recommended in support of public relations, engineering, and legal services surrounding the RhodeWorks proposal.

Statewide Transportation Study (other funds) ***\$350,000***

The Budget allocates \$350,000 in gas tax revenues to a statewide transportation study aimed at restructuring current internal procedures and managerial policies at the Department of Transportation.

Maintenance Equipment Replacement (RICAP) ***(\$2.0 million)***

The mild winter conditions in FY2016 resulted in lower than planned expenditures within RIDOT's maintenance division. This surplus will be used to offset 2.0 million RICAP spending originally budgeted for the repair and replacement of maintenance equipment.

Community Service Objective Grants

The FY2017 Budget includes significant changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The Chairs of the House and Senate Finance Committees sent a joint letter to agencies noting the grant awardees, and amounts of the awards. The State agencies then managed the application, award, and reconciliation processes for the grants.

Beginning in the FY2017 Budget, the CSO program will be administered differently. The program now consists to two components: line-item grant awards, and pooled grants.

LINE-ITEM GRANTS

The FY2017 Budget contains 25 line-item grants, appearing in 12 agency budgets, totaling \$4.8 million. Awardees are identified in the appropriations act, with a brief description of the grant purpose. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

A table showing line-item grants is on the following page.

POOL GRANTS

The Budget also contains pool grants that will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The FY2017 Budget contains six grant pools, totaling \$1.5 million.

Pool	Agency	FY2017
Arts	RI State Council on the Arts	\$200,000
Rhode Island Community Action (Nine CAP agencies)	DHS, Central Management	520,000
Elderly Nutrition	DHS, Division of Elderly Affairs	50,000
Elderly Security and Abuse	DHS, Division of Elderly Affairs	85,000
Senior Centers	DHS, Division of Elderly Affairs	400,000
Veterans Services	DHS, Office of Veterans Affairs	200,000
Total		\$1,455,000

Line Item Community Service Objective Grants

Department	Agency	FY2017 Budget
DOA	City Year	\$50,000
DOA Total		50,000
Secretary of State	Rhode Island Historical Society	125,000
	Newport Historical Society	15,000
Secretary of State Total		125,000
DHS	Boys and Girls Club of Rhode Island	250,000
	Crossroads Rhode Island	300,000
	Day One (Sexual Assault & Trauma Resource Center Of RI)	217,000
	Institute for the Study and Practice of Nonviolence	200,000
	RI Coalition Against Domestic Violence	300,000
	RI Community Food Bank	175,000
DHS Total		1,442,000
DEA	Alliance For Better Long Term Care	40,000
	Diocese Of Providence (Respite Care)	140,000
	RI Meals On Wheels	530,000
DEA Total		710,000
El/Sec	COZ	245,000
	Hasbro Childrens Hospital	90,000
El/Sec Total		335,000
OPC	Best Buddies Program	30,000
	Children's Crusade/ College Crusade	355,000
OPC Total		385,000
URI	Polaris Manufacturing Extension Program	250,000
	Small Business Development Center -URI	250,000
	Special Olympics	50,000
URI Total		550,000
Arts	Providence WaterFire	375,000
Arts Total		375,000
HP&H	Fort Adams Trust	30,000
HP&H Total		30,000
DOC	Crossroads- Sex Offender Discharge Planning	250,000
DOC Total		250,000
Judicial	Domestic Violence Court Advocacy Program	230,000
	Rhode Island Legal Services	90,000
Judicial Total		320,000
DEM	North Providence Drainage Remediation -Elliot Avenue	200,000
DEM Total		200,000
Grand Total		\$4,772,000

Personnel

The FY2017 Budget as Enacted includes a total of \$1,983.5 million for personnel expenditures, an increase of \$62.6 million compared to the FY2016 Budget as Enacted, and \$47.9 million less than the FY2016 Revised Budget. Salaries and benefits total \$1,636.9 million and comprise 82.5 percent of FY2017 personnel expenditures (53.2 percent of the salaries and benefits costs are supported by general revenue).

The FY2016 Revised Budget includes \$2,031.4 million for personnel expenditures, an increase of \$110.5 million compared to the FY2016 Budget as Enacted. Salaries and benefits total \$1,594.0 million and comprise 78.5 percent of FY2016 personnel expenditures (52.4 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2017 total \$1,112.9 million, comprising 56.1 percent of total personnel costs, an increase of \$31.2 million (2.9 percent) from the FY2016 Budget as Enacted, reflecting an increase in the number of filled FTE positions and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$524.0 million and comprise 26.4 percent of total personnel costs. Benefits increase \$9.9 million (1.9 percent) from the FY2016 Budget as Enacted, primarily due to revised retirement costs from last year's pension settlement. Purchased services costs are \$299.1 million (15.1 percent) of the total personnel costs. Purchased services increase \$17.0 million (17.0 percent) from the FY2016 Budget as Enacted.

Expenses by Description	FY2015	FY2016	FY2016	FY2017	% of	Change to Enacted
	Actual	Enacted	Revised	Enacted	Total	
Salaries	\$1,043.0	\$1,081.7	\$1,092.9	\$1,112.9	56.1%	\$31.2 2.9%
Benefits	478.4	514.1	501.1	524.0	26.4%	9.9 1.9%
Purchased Services	310.5	282.1	393.3	299.1	15.1%	17.0 6.0%
Assessed Fringe Benefits	38.8	37.9	39.9	42.5	2.1%	4.6 12.1%
Other	4.4	5.1	4.2	5.0	0.3%	(0.1) -2.0%
Total	\$1,875.1	\$1,920.9	\$2,031.4	\$1,983.5	100.0%	\$62.6 3.3%

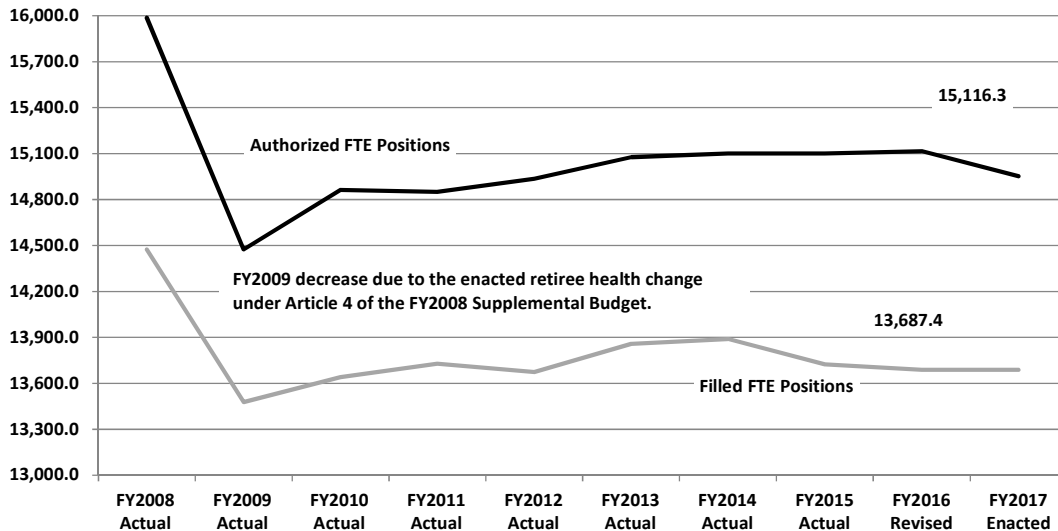
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2015	FY2016	FY2016	FY2017	% of Pers.	FY2017	
		Enacted	Revised	Enacted	Budget	General Revenue	FY2017 General Revenue %
General Government	\$295.4	\$292.0	\$300.6	\$285.9	14.4%	\$170.4	59.6%
Human Services	471.4	484.0	555.9	487.4	24.6%	211.3	43.4%
Education	555.6	579.1	592.7	611.8	30.8%	159.5	26.1%
Natural Resource	56.5	60.2	61.2	63.5	3.2%	32.7	51.5%
Public Safety	391.0	399.8	405.8	415.6	20.6%	379.6	91.3%
Transportation	105.2	105.8	115.2	119.3	6.0%	-	-
Total	\$1,875.1	\$1,920.9	\$2,031.4	\$1,983.5	100.0%	\$953.5	48.1%

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

FTE POSITIONS

The FY2017 Budget as Enacted authorized 14,952.3 FTE positions. At the end of FY2016, 13,687.4 FTE positions (90.5 percent of the original enacted authorized amount) were filled, leaving 1,431.0 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2016 Enacted	FY2016 Revised	Change to Enacted	FY2017 Enacted	% of Total	Change to Enacted
General Government	2,330.2	2,330.7	0.5	2,342.7	15.7%	12.5
Human Services	3,747.6	3,745.6	(2.0)	3,619.6	24.2%	(128.0)
Education	3,884.6	3,884.6	-	3,909.9	26.1%	25.3
Public Safety	3,229.6	3,229.6	-	3,205.6	21.4%	(24.0)
Natural Resources	428.0	428.0	-	428.0	2.9%	-
Transportation	752.6	752.0	(0.6)	701.0	4.7%	(51.6)
Subtotal	14,372.6	14,370.5	(2.1)	14,206.8	95.0%	(165.8)
Sponsored Research	745.8	745.8	-	745.8	5.0%	-
Total FTE Positions	15,118.4	15,116.3	(2.1)	14,952.6	100.0%	(165.8)

FY2016 FTE CHANGES TO ENACTED

The FY2016 Revised Budget authorizes 15,116.3 FTE positions, a net decrease of 2.1 FTE positions from the FY2016 Budget as Enacted. Major FTE changes include:

General Government increases 0.5 FTE positions. The Budget adds 1.0 Deputy Building Commissioner and 1.0 Programming Services Officer positions within the Department of Administration. This increase is offset by a reduction of a 1.0 Architect position and 0.5 FTE position within the Department of Labor and Training due to a retirement, resulting in a net increase of 0.5 FTE position in General Government.

Human Services decreases 2.0 FTE positions, reflecting the transfer of two positions to the Department of Administration as part of the centralization of capital projects within that Department.

FY2017: The FY2017 Budget as Enacted authorizes 14,952.6 FTE positions. The major changes include:

General Government increases by 12.5 FTE positions, including the following:

- **An increase of 9.0 FTE positions in the Department of Revenue.** The Budget adds 9.0 new Revenue Officer I positions in the Division of Taxation to provide analytical and operational support for the proposed nexus program, which will identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.
- **An increase of 4.0 FTE positions in the Office of the General Treasurer.** The Budget increases personnel in the Office of the General Treasurer by 4.0 FTE positions which includes, 1.0 Principal Projects Manager and a 1.0 Intermediate Accountant positions within the State Retirement System, a 1.0 Director of Debt Management position for the proposed Office of Debt Management, and a 1.0 Director of Member Services position for the CollegeBound*fund* Program. This increases the FTE position authorization in Treasury from 84.0 to 88.0 FTE positions in FY2017.
- **A decrease of 3.0 FTE position in the Department of Administration.** The Budget eliminates 24.0 FTE positions that are long-term vacancies. The decrease is offset by the addition of 18.0 FTE positions for the reorganization of the audit functions and personnel into the newly established Office of Internal Audit. The 18.0 FTE positions reflect transfers from Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education. The Budget adds 1.0 Cyber Security Director, 1.0 Deputy Building Commissioner, and the transfer of 1.0 Supervising Eligibility Technician from the Department of Human Services.
- **An increase of 2.0 FTE positions in the Office of the Secretary of State.** The Budget adds 2.0 FTE positions within the Administration program to support the Regulatory Reform Initiative. The new staff will assist in the revision of the State's Administrative Procedures Act by creating an online, indexed and searchable Code of State Regulations that will also record the intermediate steps in the process, not just the final rules and regulations adopted as currently recorded.
- **A decrease of 1.0 FTE position in the Department of Business Regulation.** The Budget reduces the overall FTE authorization for the Department by a net 1.0 FTE position as compared to the FY2016 Budget as Enacted. The Budget includes 4.0 FTE positions for the Medical Marijuana program administration and adds 1.0 FTE position for a new Insurance Regulation position. The increases is partially offset by the elimination of 6.0 positions, roughly a third of the Department's vacancies.
- **An increase of 1.0 FTE position in the Board of Elections.** The Budget adds 1.0 FTE Administrative Assistant position in the Campaign Finance Division. The Budget includes the new position to ensure compliance with three new campaign finance laws that were enacted during the 2015 legislative session.
- **An increase of 1.0 FTE position in the Public Utilities Commission.** The Budget adds 1.0 FTE Senior Legal Counsel to assist with the increased number of consumer and court proceedings due to recent challenges in utility termination matters associated with residential utility service termination.
- **A decrease of 0.5 FTE position in the Department of Labor and Training.** The Budget reflects a decrease of 0.5 FTE position within the Department of Labor and Training due to a retirement

Human Services decreases by 128.0 FTE positions. This includes the following:

- **A decrease of 69.0 FTE positions in the Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH).** The Budget eliminates 65.0 FTE long-term vacant positions within the Department. The Budget transfers 2.0 FTE positions to the Division of Capital Asset Management in the Department of Administration as well as eliminating 2.0 FTE Senior Health Promotion Specialists in the Division of Hospital Community Rehabilitative Services.

- **A decrease of 43.0 FTE positions to the Department of Children, Youth, and Families (DCYF).** The Budget removes 43.0 FTE positions in DCYF in FY2017 as compared to the FY2016 Budget as Enacted. This reduction represents long-term vacant positions within the Department.
- **A decrease of 22.0 FTE positions to the Department of Human Services.** The Budget decreases the Department-wide FTE cap by 22.0 FTE positions. This change in authorized FTE positions includes: 13.0 FTE positions moving to the Department of Health (DOH), which is associated with the transfer of the Women, Infants and Children's program to DOH; the transfer of 8.0 FTE positions from the Department's Front End Detection/Fraud Unit (housed in Individuals and Family Support) to the Department of Administration's (DOA) new audit unit; the elimination of 3.0 FTE positions due to long term vacant positions in the Department; and an increase of 2.0 FTE positions in Veterans Affairs.
- **An increase of 13.0 FTE positions in the Department of Health.** The Budget authorizes the transfer of the Women, Infants and Children's program and the 13.0 associated FTE positions from the Department of Human Services to the Department of Health.
- **A decrease of 8.0 FTE positions to the Executive Office of Health and Human Services (EOHHS).** The Budget removes 8.0 FTE positions from EOHHS in FY2017. This reduction represents long-term vacant positions within the Department.
- **An increase of 1.0 FTE position in the Governor's Commission on the Deaf and Hard of Hearing.** The Budget includes 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. The interpreter will provide full-time accessibility for Commission staff and the public. Two Commission staff members are deaf and use American Sign Language, but have access to interpreters for less than 20.0 percent of the work week.

Education increases by 25.3 FTE positions. This reflects the following:

- **An increase of 37.6 FTE positions in Higher Education.** The Budget adds 37.6 FTE positions for Public Higher Education, reflecting an increase of 35.6 FTE positions for professorships and advisors at the University of Rhode Island (33.0 FTE positions) and Rhode Island College (2.6 FTE positions), and 3.0 FTE positions to provide operations and management staff for the new Westerly Higher Education and Job Skill Center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The increase is offset by a decrease of 1.0 FTE audit due to the centralization of audit functions under the Office of Management and Budget. In addition, the Budget
- **A decrease of 12.3 FTE positions in the Department of Elementary and Secondary Education.** The Budget eliminates 3.3 FTE positions for Race to the Top - Early Learning Challenge (RTTT-ELC) activities and eliminates 9.0 vacant FTE positions reflecting long-term vacant positions within the Department.

Public Safety decreases by 24.0 FTE positions. This includes the following:

- **A decrease of 23.0 FTE positions for Public Safety.** The Budget reduces the authorized FTE level of a number of state agencies that have consistently carried high levels of vacancies. The Department of Public Safety's FTE level is reduced down by 23.0 FTE positions.
- **An increase of 4.0 FTE positions in the Department of Corrections.** The Budget adds 4.0 new FTE Probation Officer positions to support the recommendations of the Justice Reinvestment Initiative.
- **A decrease of 3.0 FTE positions in the Rhode Island Emergency Management Agency.** The Budget removes 3.0 FTE positions from Emergency Management Agency in FY2017. This reduction represents long-term vacant positions within the Agency.

- **A decrease of 1.0 FTE position in Office of the Attorney General.** The Budget reduces the Attorney General's authorized FTE by 1.0 FTE position. The Attorney General is statutorily required to represent the Division of Public Utilities (DPU) in all dockets and before the state's courts. According to the DPU the Attorney General has not taken up this responsibility and the Division has been forced to seek outside council. In light of this, the Budget eliminated 1.0 FTE from the Attorney General.
- **A decrease of 1.0 FTE position in Judiciary.** The Budget eliminates 1.0 Administrative Clerk position in the District Court.

Transportation decreases by 51.6 FTE positions. This includes the following:

- The transfer of 11.0 FTE positions to the Department of Administration, including 3.0 FTE positions to the Division of Capital Asset Management and Maintenance and 8.0 FTE audit positions to the Office of Management and Budget. In addition, the Department's FTE authorization is lowered 40.6 FTE positions reflecting the elimination of long-term vacant positions within the Department.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Budget includes \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. This is a decrease of \$250,000 from the FY2016 Budget as Enacted. The study was one of the recommendations received from the personnel study performed by the Segal Company.

The FY2016 Budget as Enacted included \$500,000 in general revenue for continued work on the study. A total of \$380,111 was expended last fiscal year. According to the Department, the vendor reviewed existing job classifications and collected data from state employees via questionnaires and interviews. Existing job classifications have been collapsed into job families and titles by the vendor. The vendor recommended consolidating many job titles, reducing the number of titles to approximately 700. The \$250,000 appropriation in FY2017 will be used by the vendor to analyze compensation for similar positions in order to make recommendations to the State. Also, the vendor continues to work on revising and updating job descriptions.

The Department of Administration undertook a comprehensive \$1.0 million analysis of the State's personnel system before the close of FY2013, to study alternatives to what some believe is a cumbersome and outdated system, and provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits.

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.

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 study is also expected to develop appropriate methods

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.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2017

Article 1 outlines the appropriation amounts from all fund sources for FY2017. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes Rhode Island Capital Plan Fund projects; determines expenditure limits for internal service funds; and provides for disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Requires all unexpended balances associated with license plate reissuance to be reappropriated to FY2018.
- Requires that internal student financial aid not be reduced below the FY2016 levels. The President of each institution (The University of Rhode Island, Rhode Island College, and The Community College of Rhode Island) is required to report to the chair of the Council of Postsecondary Education that student aid levels have been maintained, prior to the commencement of the 2016-2017 academic year. The article does *not* require that tuitions be frozen.
- Requires all unexpended balances relating to The University of Rhode Island, Rhode Island College, and The Community College of Rhode Island, to be reappropriated to FY2017.
- Caps the amount the Judiciary may charge to five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.1 million.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report on the number of housing units produced and funding be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees.
- Includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.
- Raises wages and associated payroll costs for private provider direct support staff, which includes targeted increases associated with performance-based contracting and system transformation incentives as authorized by BHDDH. Payroll related increases and funding re-design for services require final approval of the Office of Management and Budget and the Executive Office of Health and Human Services.
- Prohibits funds appropriated to any nonprofit organization from being used to pay for lobbying or to compensate a member of the General Assembly.

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, 2017.

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2017 Enacted	Change to Enacted	% Change
General Revenue	\$3,453.9	\$3,552.0	\$3,683.7	\$131.7	3.6%
Federal Funds	2,895.2	2,947.3	2,957.1	9.8	0.3%
Restricted Receipts	236.0	245.5	257.0	11.5	4.5%
Other Funds	1,807.4	1,920.7	2,040.9	120.2	5.9%
Total	\$8,392.5	\$8,665.4	\$8,938.7	\$273.3	3.1%

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund, Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; allows the appropriation of Lottery Division funds for award winnings during FY2017.

Article 1 establishes 12 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2016 Enacted	FY2017 Enacted
State Assessed Fringe Benefits	\$38,930,194	\$41,699,269
Administration Central Utilities	17,782,800	14,900,975
State Central Mail	6,203,680	6,190,285
State Telecommunications	4,122,558	3,017,521
State Automotive Fleet	13,830,623	12,543,165
Surplus Property	2,500	2,500
Health Insurance	251,175,719	251,723,462
Other Post-Employment Benefits	64,293,483	63,934,483
Capitol Police	1,252,144	1,172,421
Corrections Central Distribution Center	6,768,097	7,094,183
Correctional Industries	7,228,052	7,304,210
Secretary of State Records Center	813,687	907,177
Total	\$412,403,537	\$410,489,651

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Budget authorizes a net decrease of 165.8 FTE positions from the FY2016 Budget as Enacted. Following are the changes included in FY2017 Budget as Enacted:

FTE Position Authorization			
Function	FY2016 Enacted	FY2017 Enacted	Change to Enacted
General Government	2,330.2	2,342.7	12.5
Human Services	3,747.6	3,619.6	(128.0)
Education	3,884.6	3,909.9	25.3
Public Safety	3,229.6	3,205.6	(24.0)
Natural Resources	428.0	428.0	-
Transportation	752.6	701.0	(51.6)
Subtotal	14,372.6	14,206.8	(165.8)
Higher Ed. Sponsored Research	745.8	745.8	-
Total	15,118.4	14,952.6	(165.8)

CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2018, June 30, 2019, June 30, 2020, and June 30, 2021. These amounts supersede any appropriations provided within the FY2016 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

Article 2: Relating to Public Finance Management Board

This article strengthens and expands the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The article authorizes new reporting requirements to the Public Finance Management Board for State entities, municipalities, authorities, boards, commissions, quasi-public agencies, fire districts, and special districts having the authority to issue debt, and allows the Board to charge a per diem penalty to any entity failing to file the reports.

FISCAL IMPACT

The Budget Office projects that the changes proposed in the article will increase general revenues received by the Public Finance Management Board (PFMB) by \$295,871 per year.

ANALYSIS AND BACKGROUND

There are numerous public and quasi-public entities in Rhode Island that possess the authority to issue debt with minimal oversight from the State. In 2014, State, quasi-public entities and local municipality supported general obligation and capital lease debt reached \$6,438.4 million.

The Public Finance Management Board acts as a clearing-house for information regarding various State and local bond issues, and allocates the private-activity volume cap for the issuance of private-activity tax-exempt debt. The Board also provides advice and assistance to all State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes with respect to issuance of and financial planning related to all those bonds and notes. The nine-member Board was created in 1986 in response to changes in the federal tax code, which placed limitations on tax-exempt bonding authority.

The Budget strengthens the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities, quasi-public agencies, fire districts, or other special districts authorized to issue revenue bonds, general obligation bonds, or GARVEE bonds by removing "upon request" from RIGL 42-10.1-2(2), thereby requiring the PFMB to provide debt management services to municipalities, authorities, boards, commissions, quasi-public agencies, fire districts, and special districts. RIGL 42-10.1-5 authorizes the PFMB to impose a fee for its services upon the lead underwriter or purchaser of any affected debt issue, bond, or note in an amount equal to one-fortieth of one percent (0.004 percent) of the issued principal amount. The amount of service fees collected by the PFMB will increase due to the Board's expanded oversight over State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

Over the past five years, the revenue collected from the fee has ranged between \$203,330 in FY2011 to \$87,647 in FY2015. The Office of the General Treasurer projects fee receipts of \$132,900 for FY2017. Using an eight-year average, the projected average revenue is \$428,771, \$295,871 more than originally projected by Treasury. The additional revenue will allow the Board to fund the proposed Office of Debt Management within the Office of the General Treasurer.

Bond Issuer	Bond Issuance	Refunding	Taxable Bond	Article 2	Treasury	Change
	Amount	Bond Issuance	Issuance	Projected	Budget	
	Amount	Amount	Amount	PFMB Fee	Request	
State and Quasi Agencies	840,938,284	419,233,591	162,603,040	\$355,694	\$132,900	\$222,794
Municipalities	233,126,414	47,025,206	12,155,503	\$73,077	\$0	73,077
Total				\$428,771	\$132,900	\$295,871

Source: Office of the General Treasurer

In addition, this article requires the Board to undertake a debt affordability study no less than every two years, which shall include recommended limits for the debt capacity of the State, municipal, and regional entities having authority to issue revenue or general obligation bonds or notes.

The article requires the State, municipalities, authorities, boards, commissions and quasi-public agencies, to provide a report on the final sale of the bonds to the PFMB within 30 days, or 5 days after closing on forms approved by the PFMB. Any entity failing to submit the report shall be subject to a per-diem fine of \$250.

The article requires municipalities, quasi-public agencies, fire districts, or other special districts to provide an annual report to the Board within ninety (90) days at the end of each fiscal year, on the amount of outstanding debt incurred by these entities. The Board must provide a report to the Director of the Department of Administration, the Auditor General and to the leadership of the General Assembly, by September 30 of each year, on debt issues by municipalities, quasi-public agencies, fire districts, or other special districts.

Lastly, the Board shall have the authority to issue non-binding advisory opinions on all matters of debt management practices of State, municipal, and public and quasi-public corporations.

Article 3: Making It Easier to do Business in RI

This article outlines various tax and benefit proposals to the Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) programs to provide employers with tax relief earlier than what would occur under current law. The proposed legislation would change the reserve ratios used in calculating the UI tax rate on employers for the following calendar year.

Other proposed changes include:

- Establishing a TDI Fraud and Program Integrity Task Force to educate the State's workforce about TDI and to reduce fraud.
- Reducing the time allowable for an employee to file a TDI claim from 1 year to 90 days.

FISCAL IMPACT

The changes proposed in the article are projected to reduce the UI cost on employers by \$30.0 million a year beginning in calendar year 2017. The savings are projected to increase to \$40.0 million a year starting in calendar year 2019. Projections indicate that employers could see cumulative UI tax reductions of some \$169.0 million through 2025 when compared to the current system's reserve requirements.

ANALYSIS AND BACKGROUND

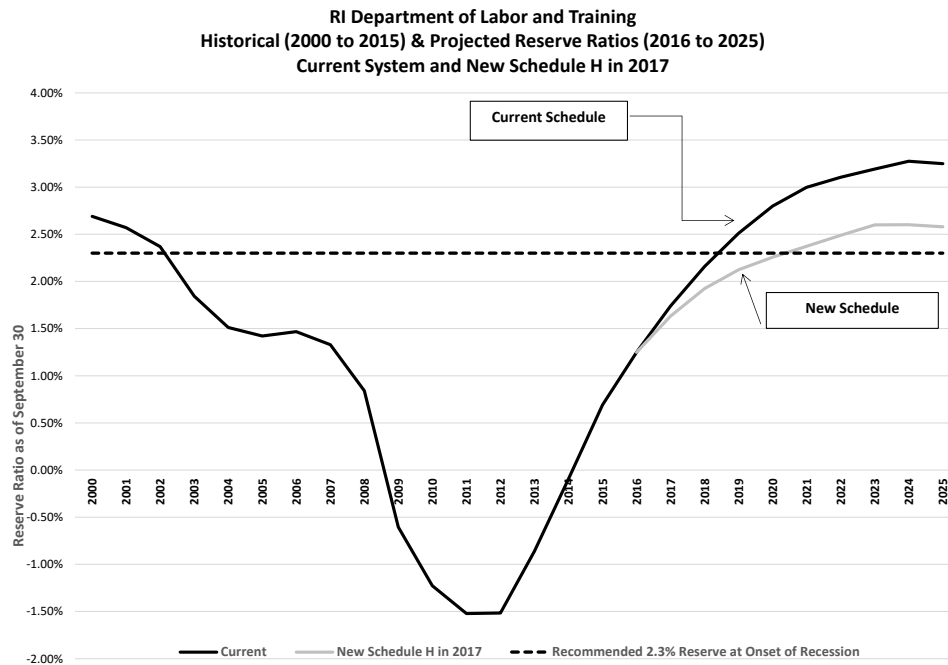
Rhode Island currently has an Unemployment Insurance Tax Rate system consisting of nine tax schedules (A thru I), each of which contains twenty-five tax rate groups. The tax schedule in effect each year depends on the reserve ratio of the fund as of September 30th of the prior year. The reserve ratio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

Based on the State's experience over the last 20 years, the U.S. Department of Labor recommends that Rhode Island's UI system's financing goal should be a minimum reserve ratio of 3.0 percent prior to the beginning of the next recession. This represents approximately one year's worth of benefits at the average benefit payout over the highest three years out of the last 20. However, according to the Department of Labor and Training, because the State enacted significant benefit cuts in 2011 that have reduced benefit costs by approximately 23.0 percent per year, it is appropriate to adjust the minimum recommended reserve ratio by this same factor which would result in a new minimum reserve ratio goal of 2.3 percent prior to the beginning of the next recession.

Under the current reserve ratios, the Department projects that the State will remain on tax Schedule I through 2020, dropping to tax Schedule H in 2021, and to tax Schedule G in 2022. Each drop in a tax Schedule reduces employer taxes by approximately \$20.0 million per year. The State would accumulate significant reserves (a projected \$821.0 million by 2025) with a reserve ratio of 3.25 percent which is safely above the minimum 2.3 percent recommended reserve ratio.

This article reduces the current reserve ratios for the tax schedules in order to facilitate the movement to the next lower tax Schedule (H) in 2017, four years earlier than projected under our current system. These changes should result in the State going to tax Schedule G in 2019 and Tax Schedule F in 2024.

The Department of Labor and Training created the following graph illustrating the projected reserve ratios under the current system and with the proposed new schedule and the recommended reserve ratio of 2.3 percent through 2025.



Source: RI Department of Labor and Training

This article also expands the current tax ranges to provide for lower minimum rates for employers who seldom have layoffs and who are subsidizing higher-use employers. With the exception of Tax Schedule H, these tax rate changes are designed to be revenue neutral by offsetting the new lower rates with higher rates in other rate groups. Rhode Island currently has 25 tax rate groups in each tax Schedule. This article expands the number of tax rate groups to 28, by adding three new groups to the lower end. The following table illustrates the old and new rates changed by the FY2017 Budget as Enacted.

TAX SCHEDULES

Employers	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule
Account	A	B	C	D	E	F	G	H	I	
Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
Percent	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>	<i>Ratio of</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
	6.4%	6.1%	5.8%	5.3%	4.7%	3.6%	3.0%	2.75%	under	
	or more	5.5%	4.75%	4.0%	3.25%	2.5%	1.75%	1.0%	2.75%	
		but less	but less	but less	but less	but less	but less	but less	but less	1.0%
		than	than	than	than	than	than	than	than	
		6.4%	6.1%	5.8%	5.3%	4.7%	3.6%	3.0%		
			5.5%	4.75%	4.0%	3.25%	2.5%	1.75%		
POSITIVE PERCENTAGES										
21.50 and over	0.21	0.4	0.5	0.6	0.7	0.9	1.1	1.2	1.2	1.2
20.00 to 21.49	0.4	0.5	0.6	0.7	0.8	1	1.2	1.3	1.5	
18.50 to 19.99	0.5	0.6	0.7	0.8	0.9	1.1	1.4	1.5	1.8	
17.00 and										
over to 18.49	0.6	0.7	0.8	0.9	1	1.2	1.5	1.7	1.9	2.1
15.50 to 16.99	0.8	0.9	1	1.1	1.3	1.5	1.8	2.1	2.4	2.4
14.00 to 15.49	0.9	1	1.2	1.3	1.5	1.7	2	2.3	2.6	2.7
12.50 to 13.99	1.1	1.2	1.4	1.5	1.7	2	2.3	2.6	2.9	3.0
11.00 to 12.49	1.3	1.4	1.6	1.7	1.9	2.2	2.5	2.8	2.7	3.1
9.50 to 10.99	1.5	1.7	1.8	1.9	2.1	2.4	2.7	3.0	2.9	3.3
8.00 to 9.49	1.7	1.9	2	2.2	2.4	2.7	2.9	3.2	3.1	3.5
6.50 to 7.99	1.9	2.1	2.3	2.5	2.6	2.9	3.1	3.4	3.3	3.9
5.00 to 6.49	2.1	2.3	2.5	2.7	2.8	3.1	3.4	3.6	3.9	4.1
3.50 to 4.99	2.3	2.5	2.7	2.9	3.0	3.1	3.7	3.9	4.2	4.3
2.00 to 3.49	2.5	2.6	2.7	2.8	3.0	3.1	3.7	4.0	4.2	4.6
0.00 to 1.99	2.7	3.0	3.2	3.4	3.6	3.9	4.2	4.4	4.5	4.9
NEGATIVE PERCENTAGES										
-0.01 to -1.99	3.0	3.3	3.5	3.8	4.2	4.5	4.8	5.0	5.1	5.5
-2.00 to -3.99	3.3	3.5	3.8	4.1	4.5	4.8	5.1	5.3	5.4	5.8
-4.00 to -5.99	3.6	3.8	4.1	4.4	4.8	5.1	5.4	5.7	5.8	6.1
-6.00 to -7.99	3.9	4.1	4.4	4.7	5.1	5.4	5.8	6.1	6.2	6.5
-8.00 to -9.99	4.2	4.4	4.7	5.0	5.4	5.8	6.2	6.5	6.6	6.9
-10.00 to -11.99	4.5	4.7	5.0	5.4	5.8	6.2	6.6	6.9	7	7.3
-12.00 to -13.99	4.8	5.0	5.4	5.8	6.2	6.6	7.0	7.3	7.4	7.7
-14.00 to -15.99	5.1	5.4	5.8	6.2	6.6	7.0	7.4	7.7	7.8	8.1
-16.00 to -17.99	5.4	5.8	6.2	6.6	7.0	7.4	7.8	8.1	8.2	8.5
-18.00 to -19.99	5.8	6.2	6.6	7.0	7.4	7.8	8.2	8.5	8.6	8.9
-20.00 to -21.99	6.2	6.6	7.0	7.4	7.8	8.2	8.6	8.9	9	9.3
-22.00 to -23.99	6.6	7.0	7.4	7.8	8.2	8.6	9.0	9.3	9.4	9.7
-24.00 and over	7.0	7.4	7.8	8.2	8.6	9.0	9.4	9.7	9.8	10.0

Article 4: Relating to Government Reorganization

This article makes the following changes to the organization of state government:

- Establishes by statute the Office of Diversity, Equity, and Opportunity which was established by Executive Order 13-05 in 2013.
- Establishes by statute a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services.
- Establishes by statute the Division of Capital Asset Management and Maintenance (DCAMM) to centralize the management of the capital assets including state property and state facilities.
- Repeals the existing Bureau of Audits statutes, and establishes an Office of Internal Audit to standardize audit functions across executive agencies. This is accomplished by consolidating the functions and merging personnel from the Bureau of Audits and from similar units in the Departments of Transportation, Human Services, and from Higher Education into the Office of Internal Audit within the Office of Management and Budget.
- Transfers administrative responsibilities associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health.
- Establishes the independent Office of Veterans Affairs by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor. The Office will continue to be listed under the Department for budgeting purposes.
- Establishes the Governor's Commission on Disabilities as the Designated State Entity (DSE) under the federal Workforce Innovation and Opportunity Act to receive and disburse funds under Part B of the State Independent Living Plan. There is a corresponding transfer of funds of \$26,400 in general revenue and \$228,750 in federal funds associated with the transfer of the independent living program and Statewide Independent Living Council from the Department of Human Service's Individual and Family Support Program to the Governor's Commission on Disabilities.
- Co-designates the Executive Office of Health and Human Services (EOHHS) and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) as the Substance Abuse authority to meet the Substance Abuse and Mental Health Services Administration (SAMHSA) block grant Maintenance of Effort (MOE) requirements. This co-designation will allow the State to accurately reflect spending for required programs' authority for the purpose of calculating the MOE for the Substance Abuse Block Grant awarded by SAMHSA.
- Adds the position of Cybersecurity Officer in the Department of Administration to the State's unclassified service.

FISCAL IMPACT

The Budget Office does not have specific savings attached to the article.

- The formal establishment of the Office of Diversity, Equity, and Opportunity is not anticipated to generate any fiscal impact as the Office will continue at current FTE position levels and funding.
- The Budget saves \$165,798 by abolishing two FTE positions as part of the centralization of executive agency audit functions into a new Office of Internal Audit.
- The Director of Veterans Affairs is a new position and the salary and benefit cost is \$218,090, of which \$154,844 is general revenue.

- The formal establishment of the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration is not anticipated to generate any fiscal impact.
- The formal establishment of the Division of Capital Asset Management and Maintenance is not anticipated to generate any fiscal impact because funding for the 5.0 FTE positions being transferred into this Office from other agencies was included in the FY2016 Budget as Enacted.
- The transfer of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health reflects only a shift of federal funds between the two agencies.
- There is a corresponding transfer of funds of \$26,400 in general revenue and \$228,750 in federal funds associated with the transfer of the independent living program and Statewide Independent Living Council from the Department of Human Service's Individual and Family Support Program to the Governor's Commission on Disabilities.
- The Director of Veterans Affairs will be a new position and the salary and benefit cost is \$218,090, of which \$154,844 is general revenue.
- The Budget adds \$296,190 in general revenue and recommends the addition of a 1.0 FTE Cybersecurity Director position to enhance cybersecurity within the State.

ANALYSIS AND BACKGROUND

DOA - Office of Internal Audit

This article repeals the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. The OIA is authorized to conduct audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA may evaluate the efficiency of an agency's operations and internal controls; and prevent or detect fraud and mismanagement. Copies of audit reports shall be submitted to the chairperson's of the Senate and House Finance Committees. In addition, the OIA shall produce an annual report summarizing the activities of OIA during the fiscal year. The annual report will be presented to the Director of OMB and posted on the office's website.

As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education shall transfer into the newly established Office of Internal Audit within the Office of Management and Budget. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

Analyst's Note: The DOT External Audit Unit was transferred to the Bureau of Audits under 2016-S-2246 Sub A as Amended (Rhodeworks).

DOA - Office of Diversity, Equity, and Opportunity

This article codifies in law the Office of Diversity, Equity, and Opportunity within the Department of Administration, which was established by Executive Order 13-05 in 2013. The Office of Diversity, Equity, and Opportunity consists of the following subprograms: the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, and the Outreach and Diversity Office. The mission of the Office is to create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island citizens to be employed by or doing business with the State of Rhode Island.

DOA - Division of Enterprise, Technology, Strategy, and Service

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

DOA - Division of Capital Asset Management and Maintenance

This article codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities. In addition, the Budget transfers 3.0 FTE positions from the Department of Transportation (DOT) Maintenance Division into DCAMM. These three positions are involved in maintaining DOT related buildings. The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain the state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.
- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

Office of Veterans Affairs

This article establishes an Office of Veterans Affairs (OVA) by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor. A Director of Veterans Affairs will be appointed and report directly to the Governor; however, OVA will remain under the Department of Human Services for administrative purposes. The Director of Veterans Affairs will be a new position and the salary and benefit cost is \$218,090, of which \$154,844 is general revenue. The new Director will have authority to promulgate and adopt rules as well as apply and administer grants from the federal government and private entities.

Analyst's Note: The section establishing the new position of Director of the Office of Veterans Affairs does not include language requiring the new position receive the advice and consent of the Senate.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

This article transfers the Women, Infants, and Children (WIC) Program into the Department of Health, from the Department of Human Services, to comply with federal statutes and regulations requiring that the WIC program be administered by a state agency with direct responsibility for maternal and child health, immunization, and other public health programs. The transfer of the program reflects a shift of \$25.8 million in federal funds and 13.0 FTE positions to the Department of Health.

Analyst's Note: This program, along with personnel and federal funds, was transferred to the Department of Human Services on October 1, 2010, under P.L. 2010 Chapter 23 Article 7(2).

Governor's Commission on Disabilities

This article establishes the Governor's Commission on Disabilities as the Designated State Entity (DSE) under the federal Workforce Innovation and Opportunity Act to receive and disburse funds under Part B of the State Independent Living Plan. There is a corresponding transfer of funds of \$26,400 in general revenue

and \$228,750 in federal funds associated with the transfer of the independent living program and Statewide Independent Living Council from the Department of Human Service's Individual and Family Support Program to the Governor's Commission on Disabilities.

Substance Abuse

The article co-designates the Executive Office of Health and Human Services (EOHHS) and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) as the Substance Abuse authority to meet the Substance Abuse and Mental Health Services Administration (SAMHSA) block grant Maintenance of Effort (MOE) requirements. This co-designation will allow the State to accurately reflect spending for required programs' authority for the purpose of calculating the MOE for the Substance Abuse Block Grant awarded by SAMHSA.

Cybersecurity Officer

This article adds the position of Cybersecurity Officer in the Department of Administration to the State's unclassified service.

Article 5: Relating to Capital Development Program

This article submits a total of \$227.5 million in ballot referenda to Rhode Island voters for their approval. Proposed as five questions on the November ballot, the following projects are included.

November 2016 Bond Referenda	Amount
Veterans Home	\$27.0
Leveraging Higher Education to Create 21 st Century Jobs	45.5
<i>University of Rhode Island College of Engineering</i>	\$25.5
<i>University of Rhode Island Affiliated Innovation Campus Program</i>	20.0
Port Infrastructure	70.0
<i>Port of Davisville at Quonset</i>	50.0
<i>Port of Providence Infrastructure</i>	20.0
Green Economy	35.0
<i>Historic State Park Development Program</i>	4.0
<i>State Land Acquisition Program</i>	4.0
<i>State Bikeway Development Program</i>	10.0
<i>Brownfield Remediation and Economic Development</i>	5.0
<i>Stormwater Pollution Prevention Program</i>	3.0
<i>Local Recreation Development Matching Grant Program</i>	5.0
<i>Local Land Acquisition Matching Grant Program</i>	4.0
Housing Opportunity	50.0
<i>Affordable Housing Development</i>	40.0
<i>Urban Revitalization and Blight Remediation</i>	10.0
Total	\$227.5
<i>\$ in millions.</i>	

FISCAL IMPACT

The article permits \$227.5 million in bond referenda to be placed on the November 2016 ballot including, \$27.0 million in bonds for the Veterans Home, \$45.5 million in bonds for higher education, \$70.0 million in bonds for the Port Infrastructure, \$35.0 million in bonds for the Green Economy, and \$50.0 million for Housing Opportunities.

ANALYSIS AND BACKGROUND

Veterans Home

The Budget includes a \$27.0 million bond referendum for the construction of a new Veterans Home and renovation of existing facilities in Bristol. This authorization is in addition to the ballot approved in 2012 providing \$94.0 million; however, due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans Administration (VA) approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$121.0 million,

including \$60.5 million in state funds and \$60.5 million in federal reimbursements. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million (\$94.0 million minus the \$60.5 million federal reimbursement) leaving a shortfall of \$27.0 million. The new bond referendum will address this shortfall to fully fund the new Veterans Home at a reduced cost to the State.

Leveraging Higher Education to Create 21st Century Jobs

The Budget includes a \$45.5 million general obligation bond authorization be placed on the November 2016 ballot for creating 21st Century jobs to be allocated as follows:

- **University of Rhode Island College of Engineering:** The Budget includes a \$25.5 million bond referendum to renovate and construct an addition to Bliss Hall on the Kingston Campus, as the second phase of the Engineering School project. The project will upgrade building systems, improve classroom space, modernize teaching laboratories, and provide advanced research facilities, as well as the addition to Bliss Hall. In 2014, a \$125.0 million bond referendum was approved by voters to begin a comprehensive overhaul of physical space dedicated to engineering programs at URI. The 2014 bond provided for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall.
- **University of Rhode Island Affiliated Innovation Campus:** The Budget includes a \$20.0 million bond referendum to build one or more innovation campuses through a university-business collaboration with the University of Rhode Island and may include other higher education institutions for cutting-edge research, product, service and business development. The proposal is based on recommendations from the 2016 Brookings “Rhode Island Innovates” report. The State will conduct a competitive process to determine the location and type of campus or campuses. Minimal proposal requirements include the involvement of the University of Rhode Island, a greater investment of private or federal funds than state funds, at least one business partner, and the creation of a substantial number of jobs at a variety of skill levels. Priority will be given to proposals that include multiple higher education institutions.

Port Infrastructure

The Budget includes a \$70.0 million general obligation bond authorization be placed on the November 2016 ballot for port infrastructure to be allocated as follows

- **Port of Davisville at Quonset:** The Budget includes a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port, including Pier 2. Pier 2 was built in 1956 and has outlived its original design lifespan of 50 years. According to the Quonset Development Corporation, the improvements will add another 50 years of design lifespan to the pier and create an additional berth capable of docking the auto carriers, allowing an additional 100,000 more units per year. The Corporation projects the auto carrier business will increase by 4.5 percent per year over the next 6 years, with import volumes growing to 295,600 units. In addition to autos, the Port handles various cargoes, including timber pilings from South America, wind turbine components, defense industry manufactured goods, and cogeneration equipment.

The total project cost is \$82.0 million for the Pier 2 Improvements, and \$8.0 million for port improvements, including work to Pier 1. Of the remaining \$40.0 million, \$15 million is provided through Rhode Island Capital Plan (RICAP) funds and \$25.0 million is provided through Article 6 which authorizes the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$25.0 million in General Assembly approved debt.

- **Port of Providence Infrastructure:** The Budget includes a \$20.0 million bond referendum to increase terminal capacity at the Port of Providence by funding the acquisition of up to 25 acres of land between Allens Avenue and the Providence River and associated infrastructure improvements. The State will own the land and ProvPort, Inc., will be responsible for managing and marketing the land subject to a revenue sharing agreement with the State.

Green Economy

The Budget includes a \$35.0 million general obligation bond authorization be placed on the November 2016 ballot for environmental and recreational purposes to be allocated as follows:

- **Historic State Park Development Program:** The referendum provides \$4.0 million for major capital improvements to state-owned properties that will leverage funding from other sources such as the National Park Services' Land and Water Conservation Fund. Priority projects include renovation of the bathroom pavilion, a new golf course facility building, historic roof replacement and landscaping at Goddard Park; a new restroom facility and maintenance building at Fort Adams; restoration of the historic stone barn at Colt Park; barn replacement and a visitor center at Coggeshall Farm, restoration of the restroom facility and visitor center at Brenton Point; restoration of the historic barn at Snake Den; and barn improvements at Urban Edge Farm. The original proposal contained \$7.0 million; however, \$3.0 million was shifted to Rhode Island Capital Plan (RICAP) funds.
- **State Land Acquisition – Open Space:** The referendum adds \$4.0 million for state land acquisition. Since 1985, the State has acquired or protected more than 20,250 acres of open space through the purchase of land, development rights and conservation easements statewide. The State has adopted a goal to protect 3,000 acres annually through the land acquisition program. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. The November 2004 ballot included \$10.0 million, the November 2008 ballot included \$2.5 million, and the November 2012 ballot included \$2.5 million in general obligation bond funds for this program. The 2004 and 2008 bond proceeds were exhausted in FY2014, and the 2012 bond proceeds are expected to be exhausted in FY2016.
- **State Bikeway Development Program:** The referendum provides \$10.0 million to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway.
- **Brownfield Remediation and Economic Development:** The referendum provides \$5.0 million to provide up to 80.0 percent in matching grants to public, private or non-profit entities for brownfield remediation projects. According to the Department of Environmental Management (DEM), brownfields comprise between 100,000 and 120,000 acres of land across the State, much of it in prime commercial or industrial locations within urban areas. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The federal Environmental Protection Agency estimates that brownfield clean-up increases adjacent property values by 2.0 to 3.0 percent. As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, the voters approved the initial \$5.0 million in general obligation bond for brownfield remediation projects. DEM recently awarded \$3.8 million of these grant funds to support 14 projects across the State. Another round of awards was held in the spring of 2016 to award the remaining \$1.3 million. The 2016 bond funds will be used to grow this program.
- **Stormwater Pollution:** The referendum provides \$3.0 million to provide up to 75.0 percent in matching grants to public, private or non-profit entity projects that reduce stormwater pollution. Pollution caused by the contaminants carried by storm water cause closures of beaches and shell fishing beds, as well as other degraded conditions that impair the use of rivers, lakes and coastal waters. Much of the State's developed landscape lacks proper storm water controls. The State's water quality restoration plans will provide the technical basis for prioritizing stormwater controls.
- **Local Recreation Grants:** The referendum provides \$5.0 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. DEM is scheduled to exhaust the remaining \$4.0 million in 2014 bond funds for grant awards in 2016. The new bond would be used to continue the program in FY2017. The original proposal contained \$2.0 million and was increased by \$3.0 million.

- **Local Land Acquisition:** The referendum provides \$4.0 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. Over 160 conservation projects preserving over 10,000 acres of land have been acquired including Sunset Farms in Narragansett, Weetamoe Woods in Tiverton, Glacier Park in Westerly, and Mount Hope Farm in Bristol. For the first time in the 30 year history of this program, DEM has depleted all the available funds.

Housing Opportunities

The Budget includes a \$50.0 million general obligation bond authorization be placed on the November 2016 ballot for affordable housing and urban revitalization to be allocated as follows

- **Affordable Housing Development:** The referendum includes \$40.0 million for the development of affordable housing. The funding will be allocated through Building Homes Rhode Island for the development of apartments, for-sale homes and supportive housing.
- **Urban Revitalization and Blight Remediation:** The referendum includes an additional \$10.0 million toward Urban Revitalization and Blight Remediation. These funds will be used to improve properties that are blighted or in need of revitalization, including residential and commercial properties and public and community spaces.

Article 6: Relating to Debt Management Act Joint Resolution

This article serves as a joint resolution for the issuance of up to \$25.0 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act. The proposed project includes pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown.

FISCAL IMPACT

Total debt service on the bonds, including principal and interest, is not expected to exceed \$1.9 million annually, at a 4.25 percent borrowing rate over a 20-year repayment period.

ANALYSIS AND BACKGROUND

This article serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the Quonset Harbor, Pier, and Port Improvements Project at the Quonset Development Corporation (QDC) business park in the Town of North Kingstown. The article authorizes the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$25.0 million in General Assembly approved debt. The article authorizes the repayment of these bonds through a loan repayment agreement using revenues from port and business park rents and fees.

This article coincides with the Governor's Article 5 Bond Referenda proposal for voter approval of a \$50.0 million bond for the Pier 2 and port improvement project and a commitment of \$15.0 million from the RICAP fund, of which the Budget includes \$1.0 million in FY2017 of RICAP funds to plan and design the pier and port improvements.

Pier 2 was built in 1956 and has outlived its original design lifespan of 50 years. According to the QDC, the improvements will add another 50 years of design lifespan to the pier and it will create an additional berth capable of docking the auto carriers which will provide an additional 100,000 more units per year. The Corporation projects the auto carrier business will increase by 4.5 percent per year over the next 6 years, with import volumes growing to 295,600 units. In addition to autos, the Port handles various cargoes, including timber pilings from South America, wind turbine components, defense industry manufactured goods, and cogeneration equipment.

The total project cost is \$82.0 million for the Pier 2 Improvements, and \$8.0 million for port improvements, including work to Pier 1. The projected cost of the Pier and Port Improvements are as follows:

Description	Cost Estimate
New Anchored HZ-M Bulkhead from Seafreeze Ltd. to Southeast Corner of Pier 2	\$37.8
New Anchored HZ-M Bulkhead from Southeast Corner to Northeast Corner of Pier 2	20.3
Pier 2 Extension	16.1
Pier 1 Improvements	8.0
Design and Permitting of Pier 2 Related Work	4.0
Pier 2 Improvements Dredging	3.8
Total	\$90.0

\$ in millions

Source: Quonset Development Corporation

The Quonset Business Park has almost 200 companies with approximately 11,000 workers and has one of the top 10 automobile importers of North America. In 2014, the Port of Davisville accounted for about \$333.0 million in business output for the State, with approximately 1,500 jobs and \$20.7 million in household earnings.

Article 7: Relating to Health and Human Services

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program and implements certain initiatives set forth in the FY2017 Budget. The Article gives the Executive Office of Health and Human Services authority to oversee the aligning the General Laws with the stated goals of promoting service quality, access an efficiency. More specifically the Article imposes reporting requirements on the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, extends the Transitional Child Care Assistance Pilot Program and modifies the payments to nursing facilities.

FISCAL IMPACT

The fiscal impact of this Article increases general revenues by \$5.9 million (\$12.1 million all funds) in FY2017. This increase is related to a \$3.9 million in general revenue (\$7.9 million all funds) expenditures for rate increases to nursing facilities and \$2.0 million in general revenue (\$4.1 million all funds) expenditures for direct care wage increases.

ANALYSIS AND BACKGROUND

Restoration of Early Intervention Reimbursement Rates: Section 1 of this article restores statutory language guaranteeing that providers of Early Intervention (EI) services receive reimbursements equal to the integrated Medicaid rate. During the 2015 legislative session, reimbursement language establishing reimbursement rates for EI providers was inadvertently repealed. This left EI providers unable to receive appropriate reimbursements from insurers.

EI provides services to children ages birth to age three who have been identified as needing supportive services due to developmental delays in one or more areas of development. Services are tailored to meet the needs of the child and may include speech therapy, physical therapy, occupational therapy, social programming, and assistive technology support. During the 2015 legislative session, the \$5,000 annual cap for private insurance coverage for EI services was removed, thus requiring private insurers to fully fund EI services for covered beneficiaries. This shifted a larger portion of EI provider reimbursements from private health insurance plans, underscoring the need for reimbursement rates equal to the Medicaid rate.

Nursing Facility Rates: Section 2 of the Article includes reimbursement rate increase to Nursing Facilities scheduled for October 1, 2016. It further prescribes, that 85 percent of the aggregate amount of the increase shall be expended to fund an increase for wages, benefits or related employee cost of direct care staff in nursing homes. This will result in an increase of \$3.9 million in general revenue (\$7.9 million all funds) expenditures in FY2017.

The Article also includes rate reform adjustors to per diem payments and adjustors to direct care payments for nursing facilities. Adjustor payments are the result of a policy initiative intended to move from a cost-based payment methodology to a price-based methodology for nursing facility reimbursements. Adjustors are transitional payments provided to nursing facilities as the state shift how it pays providers for nursing facility care.

Per diem rates will adjust by 25 percent in FY2017 with the final transition adjustor scheduled in FY2018. This Article amends Section 2 (b) (1) by adding a transitional adjustment to direct care cost reimbursements rates. This provision will phase out the direct care cost reimbursements annually; reducing reimbursement by 25 percent increments, beginning October 1, 2017 each year until October 1, 2021.

Community Health Teams: Under this Article, Section 4, EOHHS expands the definition of Medicaid managed care benefits to include community health teams (CHT), and clarifies language regarding mandatory managed care enrollment. The State is authorized to implement a mandatory managed system

of care, which is supported by the “medical home” model, placing emphasis on primary care. This article would include CHT as part of the primary care case management model.

The State Innovation Model identifies the expansion of community health teams as component of health care delivery reform. Rhode Island has begun developing the CHT model through initiatives spearheaded by the Care Transformation Collaborative (CTC), health centers and medical insurers. The CHT model is intended to support primary practices attempts to address individuals with complex medical needs within the community through a coordinated multidisciplinary team approach.

Wage Pass-Through Program: Section 5 of the Article establishes a wage pass-through program to increase wages for direct care workers providing care for long-term care beneficiaries living in the community, less any costs incurred by provider for additional payroll taxes, insurance and other employer related cost associated with wage increases. Through the Reinventing Medicaid public process, held in 2015, stakeholders, community providers and direct care workers expressed the need to increase wages in order to strengthen the direct care workforce in support of the effort to increase community options for individuals receiving LTSS.

The Budget includes \$2.0 million in general revenue (\$4.1 million all funds) for direct care wage increases. This article will require amendments to the Medicaid State Plan and/or the 1115 Demonstration Waiver to determine payment methodologies and regulations establishing the wage-pass through program. Additionally, EOHHS intends to create a “claw back” provision to ensure the increase is flowing directly to increase wages of front-line. EOHHS anticipates a 7.0 percent (\$0.45 hourly) increase to direct care worker pay related to this increase.

Person Centered Planning: Section 5 also includes language to ensure beneficiaries enrolling in managed care long-term care arrangement are provided with options counseling to assist them in making informed choices in the delivery of their care. This amendment requires the agency to meet new federal requirement on person centered planning and options counseling that is to be in the best interest of the beneficiary-rather than the interest of the payer or provider. This initiative will support the ongoing Integrated Care Initiative (ICI), ensuring enrollees are made fully aware of all options and benefits of various state offered programs.

Community-Based Long-Term Care Reporting Requirements: Section 7 of the Article includes reporting on the long-term care system by providers, and now adds a requirement for providers to report patient liability owed and collected.

Managed Care Payment Methodology: Section 6 of the Article details the principles by which managed care organizations pay providers for services. The Article stipulate managed care organizations are not required to utilize the same payment methodology for nursing homes, as EOHHS, so long as the aggregate payment to the nursing facilities are the same as the payments they would have received under EOHHS’s payment methodology. The Article technically corrects the language so that managed care organizations are not required to use Medicaid or Medicare payment methodology so long as the total aggregate payment remains equal.

Consent Decree Reporting Requirements: Section 8 includes a requirement for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals to report monthly to the General Assembly on; the number of person’s in shared living arrangements, individuals whom return to residential facilities from shared living arrangements, tier level expenditures, patient liability, employment related data as well as all consent decree related reporting to the federal courts.

Childcare Assistance: Under Section 7, this article changes the sunset date of the Transitional Child Care Pilot Program from September 30, 2016, to September 30, 2017, extending the pilot program for an

additional year. On average 344 children per cycle have utilized the program in FY2016 and the Department estimates that an average of 481 children per cycle will utilize the program in FY2017.

The program expands access to child care assistance by increasing the exit income threshold for current child care program participants from 180 percent of the federal poverty level (FPL) up to 225 percent FPL, or from \$36,288 in annual income to \$45,360 in annual income for a family of three, respectively. The article allows families who receive child care assistance to continue to participate in this program until the pilot's expiration date of September 30, 2017, or until their income exceeds 225 percent FPL, whichever occurs first.

Analyst's Note: According to the Department of Human Services, the State's child care program must be in compliance with new federal law, under the Child Care and Development Block Grant, by September 30, 2016. However, the Department is awaiting clarification on portions of this new federal law.

The new law states that each child who is determined eligible for a State child care program must have no less than 12 months of continuous eligibility unless the family's income exceeds 85 percent of State Median Income, equivalent to approximately 300 percent FPL (\$60,480 for a family of three). Additionally, the state will be required to implement a "graduated phase out" for families utilizing the child care program whose income exceeds the entrance threshold of 180 percent FPL. The Department indicates that the Transitional Child Care Program complies with the federal "graduated phase out" requirement. The May Caseload Estimating Conference includes the cost of implementing the new federal requirements.

Alternative Payment Arrangements

Informational

EOHHS has been working to improve the delivery system for Medicaid funded services and coordinate state-wide health care reform activities. Many of the initiatives to achieve this goal will be targeted toward moving the healthcare delivery system from a "fee-for-service" payment models toward value-based purchasing.

The Governor proposed to repurpose savings from Rhode Island's community hospitals Disproportionate Share Hospital (DSH) payments and Upper Payment Limit (UPL) payments to create an alternative payment incentive program in the FY2017 Budget recommendation. The General Assembly did not agree with the reallocation of these fund sources and in its place provides authority to the Executive Office of Health and Human Services (EOHHS) to create the R.I. Health System Transformation Program. This program will seek federal authority for federal matching funds for Cost Not Otherwise Matchable (CNOM) to fund an alternative payment arrangements program.

Article 8: Relating to Municipalities

This article requires electronic exchange of municipal financial information, streamlines financial reporting by municipalities, requires distressed communities to participate in a debt recovery program, and modifies the current property valuation schedule.

Specifically, this article:

- Establishes a transparency portal which will require municipalities to post required financial data to the Division of Municipal Finance website. The initiative is intended to streamline preparation and submission of required financial data and make this information available in a searchable, electronic format.
- Modifies the program description of the Division of Municipal Finance, requiring the program to encourage the exchange of information using web based tools, including posting of municipal contracts. This change is intended to promote the use of shared services.
- Requires distressed communities to participate in the Income Tax Refund Offset program, which authorizes the Division of Taxation to collect debts owed to other government agencies and entities in the state, including cities and towns.
- Amends the current property revaluation schedule, which requires municipalities to update their fiscal impact.

FISCAL IMPACT

The Budget includes a \$120,000 increase in general revenue in the Department of Revenue, Division of Municipal Finance, to fund software development for the Municipal Transparency Portal. The initiative is projected to yield \$1.1 million in general revenue savings for municipalities for FY2017 (\$18.7 million in total from FY2017 through FY2039).

ANALYSIS AND BACKGROUND

Transparency Portal

This article establishes a “Transparency Portal,” a software program which will be implemented through, maintained, and monitored by the Division of Municipal Finance (DMF). Municipalities will be required to submit “budget-to-actual financial information” three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality’s general fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal.

Budget-to-actual financial information reports will be submitted by the chief financial officer (CFO) of each municipality and unlike the current quarterly reports, will not require the signatures of the chief executive officer (CEO), superintendent or CFO of the school district, the municipal council president, or the school committee chair, in order to be submitted to the DMF; however, the DMF will create a finalized report from all information submitted through the Transparency Portal which will require the aforementioned signatures. Municipalities must submit copies of this report to the commissioner of education, office of the auditor general, municipal council president, and school committee chair. Finalized reports will be posted to the Transparency Portal.

Description of Duties

The article amends the duties of the DMF from a general responsibility “to maintain a data center of information of use to municipalities”, to a responsibility of encouraging the exchange of electronic information.

Mandatory Collection of Debts

This article requires distressed communities, within three months of a distressed determination, to contract with the State Tax Administrator to participate in the tax refund offset program. This program allows the tax administrator to collect outstanding liabilities owed to a governmental entity. The DMF will determine which liabilities will be subject to collection by the tax administrator. Nine municipalities have participated, collecting more than \$1.5 million in delinquent liabilities.

Established in 1990, the Distressed Communities Relief program provides state assistance to Rhode Island communities with the highest property tax burdens relative to the wealth of the taxpayers. Four indices are used to determine eligibility: percent of tax levy to full value of property; per capita income; percent of personal income to full value of property; and, per capita full value of property.

Article 9: Relating to Division of Motor Vehicles

This article addresses several initiatives related to the registration of motor vehicles in Rhode Island. First, it delays the statutorily required license plate reissuance from July 1, 2016, until April 1, 2017. Under RIGL 31-3-33, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. Second the article exempts veterans from paying the standard \$20 registration service fee and \$5 registration transfer fee that are associated with their special designated license plates. It also authorizes a new special license plate recognizing Gold Star Parents. Lastly, the article reduces the annual registration fees for certain commercial truck registrations.

FISCAL IMPACT

License Plate Reissuance

The FY2016 Budget as Enacted included a provision that all unexpended balances in FY2016 would shift to FY2017. The Budget honors this provision and reappropriates the \$3.0 million originally intended to fund the FY2016 license plate reissuance to FY2017. The revised FY2016 Budget is reduced by \$3.0 million accordingly.

Under current law, registrants are charged \$6 for each set of license plates above the regular registration fee. The delay in implementing the issuance results in a loss of \$2.0 million in general revenues in FY2017.

Veterans' Registration Fee Exemption/Gold Star Parent Plates

The Budget reduces general revenues by \$35,000 to account for the loss in fee revenue associated with the new exemption on transfer and service fees for veterans' license plates.

Commercial Truck Registrations

The article establishes a new sliding scale fee schedule for commercial truck registrations that will go into effect July 1, 2017. The resulting cut in fees is expected to reduce revenue collections by \$4.2 million in FY2018.

ANALYSIS AND BACKGROUND

License Plate Reissuance

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

The coordination and effort required by the DMV to complete the reissuance project will affect personnel who are working on the implementation of the Rhode Island Motor Vehicle System (RIMS) information technology (IT) project (a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system). Key personnel assigned to RIMS would need to be pulled off and reassigned to the plate reissuance project in order to ensure its successful implementation. This shift in staffing would negatively impact and likely delay the planned September 2016 launch date of RIMS.

Veterans' Registration Fee Exemption/Gold Star Parent Plates

The article creates an exemption for veterans from paying service and transfer fees associated with their special designated license plates. A \$5 fee is normally required when transferring the registration and license plates to a new vehicle as long as the name on the registration remains the same. Similarly, a \$20 fee is required for various registration service transactions such as a duplicate registration. The estimated revenue impact of the exemption is a loss of \$35,000.

A new special license plate is authorized under this article commemorating parents whose son or daughter has been killed while serving in the armed forces. These parents are traditionally known as Gold Star Parents. The Gold Star Parent license plate is exempt from the same transfer and service fees as the other veterans' plates. However an individual with a Gold Star Parent registration on a commercial vehicle must still pay the fees associated with the commercial designation and class of vehicle.

Commercial Truck Registrations

This article reduces the annual registration fees for commercial trucks, truck tractors, and truck trailers in Rhode Island. A new sliding scale fee schedule is established beginning July 1, 2017, for commercial truck vehicles. Owners of vehicles at the lowest weights will see a 30.6 percent reduction of registration fees. Registration savings increase with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. These cuts in fees are expected to reduce general revenue collections by \$4.2 million in FY2018. The following table illustrates the current and revised commercial truck registration fees.

Commercial Truck Registration Fees

More Than (lbs)	Not More Than (lbs)	Original Rate	New Rate	Change	Percent Change
0	4,000	\$49	\$34	(\$15)	-30.6%
4,000	5,000	55	40	(15)	-27.3%
5,000	6,000	63	48	(15)	-23.8%
6,000	7,000	71	56	(15)	-21.1%
7,000	8,000	79	64	(15)	-19.0%
8,000	9,000	85	70	(15)	-17.6%
9,000	10,000	93	78	(15)	-16.1%
10,000	12,000	121	78	(43)	-35.5%
12,000	14,000	139	92	(47)	-33.8%
14,000	16,000	155	92	(63)	-40.6%
16,000	18,000	173	104	(69)	-39.9%
18,000	20,000	191	109	(82)	-42.9%
20,000	22,000	209	120	(89)	-42.6%
22,000	24,000	225	130	(95)	-42.2%
24,000	26,000	245	143	(102)	-41.6%
26,000	28,000	311	148	(163)	-52.4%
28,000	30,000	331	158	(173)	-52.3%
30,000	32,000	437	211	(226)	-51.7%
32,000	34,000	463	224	(239)	-51.6%
34,000	36,000	491	238	(253)	-51.5%
36,000	38,000	517	251	(266)	-51.5%
38,000	40,000	543	264	(279)	-51.4%
40,000	42,000	569	277	(292)	-51.3%
42,000	46,000	623	304	(319)	-51.2%
46,000	50,000	675	330	(345)	-51.1%
50,000	54,000	727	356	(371)	-51.0%
54,000	58,000	783	384	(399)	-51.0%
58,000	62,000	831	408	(423)	-50.9%
62,000	66,000	891	438	(453)	-50.8%
66,000	70,000	939	462	(477)	-50.8%
70,000	74,000	987	486	(501)	-50.8%
72,000	74,000	1,011	498	(513)	-50.7%
74,000	76,000	1,035	510	(525)	-50.7%
76,000	78,000	1,059	522	(537)	-50.7%
78,000	80,000	1,083	534	(549)	-50.7%
80,000	82,000	1,107	546	(561)	-50.7%
82,000	84,000	1,131	558	(573)	-50.7%
84,000	86,000	1,155	570	(585)	-50.6%
86,000	88,000	1,179	582	(597)	-50.6%
88,000	90,000	1,203	594	(609)	-50.6%
90,000	92,000	1,227	606	(621)	-50.6%
92,000	94,000	1,251	618	(633)	-50.6%
94,000	96,000	1,275	630	(645)	-50.6%
96,000	98,000	1,299	642	(657)	-50.6%
98,000	100,000	1,323	654	(669)	-50.6%
100,000	102,000	1,347	666	(681)	-50.6%
102,000	104,000	1,371	678	(693)	-50.5%
104,000+ ¹	-	-	-	-	-

¹\$690 PLUS \$12 for each additional 2,000 lbs. gross weight over 104,000 lbs. or portion thereof.

Article 10: Relating to Making Revised Appropriations in Support of FY2016

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted, and other funds as well as authorized FTE levels for each agency and department for FY2016. The Budget includes \$20.6 million in additional general revenue spending compared to the FY2016 Budget as Enacted.

Article 10 permits the General Treasurer to pay up to the maximum debt service due for the I-195 Redevelopment District Commission loan from the state appropriation for debt service, consistent with current law. The article includes language specifying that \$900,000 in federal funding will be expended on the Municipal Substance Abuse Task Forces and \$128,000 on the National Alliance for Mental Illness (NAMI) of RI.

APPROPRIATIONS

The article increases the total FY2016 appropriations by \$275.7 million, the bulk of which is attributable to an increase in federal fund expenditures of \$138.0 million. General revenue expenditures increase by \$20.6 million. The article outlines funding changes at the program level by fund for each department.

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2016 Revised	Change to Enacted	% Change
General Revenue	\$3,453.9	\$3,552.0	\$3,572.6	\$20.6	0.6%
Federal Funds	2,895.2	2,947.3	3,085.3	138.0	4.5%
Restricted Receipts	236.0	245.5	309.1	63.6	20.6%
Other Funds	1,807.4	1,920.7	1,974.2	53.6	2.7%
Total	\$8,392.5	\$8,665.4	\$8,941.1	\$275.7	3.1%

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

INTERNAL SERVICE ACCOUNTS

Article 10 authorizes the State Controller to establish 12 specific internal service accounts to reimburse costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article. The changes in these accounts are intended to bring the budgeted expenditures more closely in line with actual costs.

Internal Service Account	FY2016 Enacted	FY2016 Revised	Change
State Assessed Fringe Benefits	\$38,930,194	\$40,755,745	\$1,825,551
Administration Central Utilities	17,782,800	14,693,275	(3,089,525)
State Central Mail	6,203,680	5,998,304	(205,376)
State Telecommunications	4,122,558	2,999,962	(1,122,596)
State Automotive Fleet	13,830,623	12,472,922	(1,357,701)
Surplus Property	2,500	2,500	-
Health Insurance	251,175,719	251,611,747	436,028
Other Post-Employment Benefits	64,293,483	63,934,483	(359,000)
Capitol Police	1,252,144	1,139,497	(112,647)
Corrections Central Distribution Center	6,768,097	6,940,835	172,738
Correctional Industries	7,228,052	7,345,391	117,339
Secretary of State Records Center	813,687	896,250	82,563
Total	\$412,403,537	\$408,790,911	(\$3,612,626)

FTE POSITION CAP AND APPROVAL

The article establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency for FY2016. Departments and agencies may not exceed the number of authorized FTE positions shown, in any pay period. Statewide, the Budget authorizes a net decrease of 2.1 FTE positions from the FY2016 Budget as Enacted. The following changes are included FY2017 Budget as Enacted:

FTE Position Authorization			
Function	FY2016 Enacted	FY2016 Revised	<i>Change to Enacted</i>
General Government	2,330.2	2,330.7	0.5
Human Services	3,747.6	3,745.6	(2.0)
Education	3,884.6	3,884.6	-
Public Safety	3,229.6	3,229.6	-
Natural Resources	428.0	428.0	-
Transportation	752.6	752.0	(0.6)
Subtotal	14,372.6	14,370.5	(2.1)
Higher Ed. Sponsored Research	745.8	745.8	-
Total	15,118.4	15,116.3	(2.1)

Article 11: Strengthening Neighborhood Schools

The article establishes new aid categories for English learners (EL) as well as communities that send large numbers of students to public schools of choice, and traditional district tuition rates for charter and state schools are reduced. In addition, this article creates stabilization categorical funds for Davies and the Met School and eliminates obsolete language regarding the funding of charter schools. This article also promulgates the School and Family Empowerment Act, increases state support for Group Homes, and creates a “performance dashboard” for greater local and state school budget transparency. The article allows students to be referred to a recovery high school by a licensed clinician and requires the State to appropriate at least \$500,000 for each recovery high school in FY2017.

FISCAL IMPACT

The article requires the State to appropriate at least \$500,000 for the administration and programmatic costs of recovery high schools. Technically, the new English Learners and Public School of Choice Density Aid categoricals do not have a fiscal impact on the state because the amount of aid distributed is subject to appropriation; however, the budget does include \$2.5 million and \$1.5 million respectively for the new categoricals. There is also \$1.5 million in stabilization aid for Davies and \$132,516 for the Met; however, these funds are also subject to appropriation and not required by the article language.

The Budget does not include additional FTE positions tied to the implementation of this article, so any cost associated with managing the implementation of this article will be absorbed by the Department of Elementary and Secondary Education (Department).

ANALYSIS AND BACKGROUND

The article includes the following changes to district management and education aid:

Performance Dashboard

The article calls for changes to the Uniform Chart of Accounts (UCOA) to facilitate comparisons among schools and districts. Beginning in July 2017, districts would submit a budget file to the Department for publication on the Department’s website. The Department would then provide the General Assembly with a performance dashboard of per-pupil expenditures for each public school and district broken down by revenue source and expenditure category. This dashboard would also provide student performance indicators.

Commencing in FY2018, districts would be required to post on their websites in a free, downloadable format the annual district budget with information at the program and school levels, and a link to the Department’s website where the district budgets and UCOA information for all the public districts is published. Districts would also be required to update the posted information within 60 days of making changes to the district budget, including any changes to an individual program or school budget.

Local Tuition to Charter and State Schools

The article provides a per-pupil reduction in local tuition to charter and state schools calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2017 will be based on FY2015 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district’s per-pupil funding or the per-pupil value of each district’s costs in the delineated expenditure categories. The categories include each district’s costs for non-public textbooks, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education

tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies where teachers do not participate in the state's teacher retirement system equivalent to the per-pupil, unfunded liability cost.

The projected impact of the local tuition reduction based on current FY2017 charter and state school enrollment projections is provided in the table on the following page.

Projected Reduction in Sending District Tuition to Public Schools of Choice (FY2017)

LEA	Projected PSOC Enrollment	Enacted Per Pupil Tuition Reduction	Projected Mayoral Academy Enrollment	Additional Mayoral Academy Reduction	Total Tuition Reduction
Barrington	10	\$883	0	\$0	\$8,830
Burrillville	34	478	5	-	16,252
Charlestown	-	-	-	-	-
Coventry	63	639	-	-	40,238
Cranston	320	643	64	-	205,650
Cumberland	496	569	431	-	281,999
East Greenwich	8	959	-	-	7,673
East Providence	107	942	-	819	100,794
Foster	-	811	-	-	-
Glocester	-	858	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	15	2,109	-	970	31,635
Johnston	62	1,199	-	1,011	74,338
Lincoln	276	873	210	-	241,005
Little Compton	1	1,171	-	-	1,171
Middletown	16	751	-	-	12,009
Narragansett	27	1,280	-	-	34,552
Newport	28	1,963	-	1,177	54,964
New Shoreham	-	2,784	-	-	-
North Kingstown	136	832	-	-	113,177
North Providence	150	622	26	-	93,267
North Smithfield	38	729	9	-	27,718
Pawtucket	1,648	213	533	731	740,647
Portsmouth	9	886	-	-	7,974
Providence	4,344	327	618	-	1,420,488
Richmond	-	-	-	-	-
Scituate	16	858	-	-	13,732
Smithfield	25	839	1	-	20,982
South Kingstown	115	1,024	-	-	117,711
Tiverton	20	921	1	-	18,422
Warwick	126	924	16	-	116,433
Westerly	47	1,012	-	-	47,564
West Warwick	36	626	-	-	22,536
Woonsocket	314	184	80	-	57,776
Bristol-Warren	38	1,789	-	904	67,982
Exeter-West Greenwich	41	1,530	-	993	62,730
Chariho	85	822	-	-	69,870
Foster-Glocester	9	4,048	-	1,016	36,432
Central Falls	1,449	245	462	918	779,121
Total	10,109		2,456		\$4,945,672

Source: Rhode Island Department of Elementary and Secondary Education.

The Governor's Fair Funding Formula Working Group recommended that an approach for quantifying fixed and/or marginal cots of traditional districts facing school choice-related enrollment decline be explored.

Public School of Choice Density Aid

The article establishes as new category of state aid for districts where 5.0 percent of more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 for each student attending a public school of choice in FY2017, \$100 per pupil in FY2018, and \$50 per pupil in FY2019. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The Budget includes \$1.5 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.

High-Cost Special Education

The education funding formula provides categorical aid for districts with extraordinary costs associated with special education students. Currently, districts are reimbursed, on a prorated basis dependent on the amount appropriated, for costs exceeding five times the core foundation amount, which equals the core instruction amount plus the student success factor (\$62,853 in FY2017). The Governor's Fair Funding Formula Working Group recommended adjusting the threshold for the high-cost special education categorical to broaden district and school reimbursement eligibility. The article requires the Department to collect data on those educational costs that exceed four times the core foundation amount.

Career and Technical Education

The education funding formula provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program. This article empowers the Department to develop the criteria for the distribution of funds.

Central Falls, Davies, and the Met School Stabilization Fund

Current law provides for a stabilization fund to address concerns regarding the City of Central Falls' ability to meet the local share of education costs. This article expands the stabilization fund to include Davies and Met School to provide additional support for costs associated with a stand-alone high school offering both academic and career and technical coursework. The Department will recommend criteria for the distribution of stabilization funds.

For FY2017, the Budget includes \$1.5 million for Davies, \$132,516 for the Met School, and a total of \$4.8 million for Central Falls (an increase of \$1.1 million over the FY2016 Budget as Enacted).

English Learners

This article establishes a categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount (\$898 in FY2017) for each English Learner identified through standards and assessments identified by the Commissioner. The article restricts the funds to new, research-based services for EL students and requires the Department to collect performance reports from districts and approve the use of funds prior to expenditure. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.

The Governor's Fair Funding Formula Working Group recommended providing additional support for English Language Learners to improve education outcomes.

Charter Schools

The article repeals charter school funding language that is in conflict with the current education funding formula. This includes language defining the local tuition rates and language that allows career and technical charter schools enrolling special education students from outside the district with an individual education program (IEP) to receive the average per-pupil special education cost of the sending district in addition to the local tuition calculated through the funding formula.

Free or Reduced Lunch Eligibility Measure

Since the United States Department of Agriculture (USDA) no longer requires school districts to collect eligibility data, an alternate way to identify student in poverty for the purpose of the student success factor and share ratio calculation was needed. Federal guidance suggests removing free and reduced lunch as a poverty indicator in state funding schemes. Consequently, instead of using children eligible for free or reduced lunch, the statute identifies students whose family income is below 185.0 percent of the federal poverty guidelines. This income level is the same threshold that was used for the free and reduced lunch program. This change is not expected to change eligibility numbers in the funding formula. According to the Department, a small number of RI schools are using the Community Eligibility Provision for free and reduced lunch; however, they currently continue to collect income data forms.

Group Home Aid

The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and providing \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11, the FY2017 Budget increases the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which increase by \$4,000 for a total of \$26,000 per bed. The Budget includes an additional \$828,000 in Group Home Aid in FY2017 to provide the increase in per-bed aid.

The FY2017 Budget includes \$4.8 million to fund group home beds. This is \$318,100 less than the FY2016 Budget as Enacted, and represents a decrease of 35 beds (7.8 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.

School and Family Empowerment Act

The article establishes statutory requirements for Empowerment Schools. An empowerment school is a public school with increased flexibility and independence that is managed collaboratively by the school-based principal and faculty team. Such schools will have autonomy over their budget and flexibility in school-based instructional policies and professional practices.

The Commissioner will develop a process for a public school, with the approval of its superintendent and school committee, to be designated as an empowerment school and to be converted back to a traditional school. The following entities may become an empowerment school:

- A school in a public school district
- A school within a school in a public school district
- A career and technical education program within a public school district, or
- A state school

Empowerment schools would be funded like charter schools, with the state share and local tuition following the student, unless an agreement is in place to fund district students through an alternative method. An

empowerment school is eligible to receive other aid, grants, Medicaid revenue, and other revenue according to Rhode Island law as if it were as school district. A school may negotiate and contract directly with third parties for goods and services.

Services provided to the school by district, such as financial services, transportation, and food services, are subject to negotiation between the district and the empowerment school, and are paid for by the empowerment school.

Professional staff at an empowerment school will maintain their status in the bargaining unit and as employees of the district without any interruption of service as it relates to seniority and retirement. The management team may amend the district bargaining agreement with approval from the superintendent, district union, and school committee, who can only withhold approval if changes would have a negative impact on other schools or the district as a whole. The Article prohibits the lay-off, suspension, or termination of a teacher that would not otherwise have been laid-off, suspended, or terminated except for an employment decision by an empowerment school principal.

Teachers must hold at least one teacher certification, which may differ from that associated with their assignment, unless a teacher is assigned to a shortage area. A teacher assigned to a shortage area will be provided school-based support and work toward certification within five years of the date of assignment.

Recovery High School

The article allows for students to be referred to a recovery high school by licensed clinician for voluntary enrollment; instead of only allowing referral by the sending school district. The article also requires the State to appropriate at least \$500,000 for the administration and programmatic costs of recovery high schools in FY2017. Currently, there is only one such school, the Anchor Learning Academy. This school is managed by Providence Center and has a maximum capacity of 20 students. The purpose of a recovery high school is to provide an individualized program to students recovering from substance abuse to support in achieving personal recovery and academic goals. Instead of requiring the sending district to pay charter school tuition to recovery high schools, the article requires the sending school district to transfer the per-pupil core instructional amount as tuition (\$8,979 in FY2017); the student success factor for low-income students is not included in the tuition.

Article 12: Relating to Budget and Accounts

This article authorizes the Board of Education to establish a restricted receipt account for the Westerly Higher Education and Industry Center for the deposit of lease payments and other fees related to the operation and maintenance of the facility, and exempts deposits into the account from the 10.0 percent indirect cost recovery provision. The “DMV Modernization Project” in the Rhode Island Department of Motor Vehicles is also exempted from the indirect cost recovery provision. The article also amends the budget submission process to require departments to submit their budgets directly to the Senate and House Fiscal Advisors, instead of just the Governor’s Budget Officer.

FISCAL IMPACT

The article reduces general revenue collections by approximately \$100,000 in FY2016 and \$203,619 in FY2017.

ANALYSIS AND BACKGROUND

The article authorizes the creation of a new restricted receipt account for the Westerly Higher Education and Industry Center, which is exempt from the indirect cost recovery; exempts the DMV Modernization Project restricted receipt account from the 10.0 percent indirect cost recovery; and requires department heads to submit budget requests directly to the fiscal advisors of the Senate and House.

Restricted Receipt Accounts

This article authorizes the Board of Education to establish a restricted receipt account for the Westerly Higher Education and Industry Center for the deposit of lease payments and other fees related to the operation and maintenance of the facility, and exempts deposits into the account from the 10.0 percent indirect cost recovery provision. The FY2017 Budget includes \$361,925 in restricted receipts for 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The Council on Postsecondary Education and the Office of the Postsecondary Commissioner will enter into a memorandum of understanding with parties associated with a new educational facility being built in Westerly. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center will be managed through the Office of the Postsecondary Commissioner.

Through the article, the “DMV Modernization Project” in the Rhode Island Department of Motor Vehicles is also exempted from the indirect cost recovery provision. The DMV Modernization Project account is newly created to receive contractor payments as required by the amended contract between the State and Hewlett-Packard State & Local Enterprise Services, Inc. (HP) for providing a new Motor Vehicle Licensing System at the Department of Motor Vehicles (DMV). Payments totaling \$3.0 million will be made by HP to directly support the DMV system project in FY2016 and FY2017. Passage of this article will forgo general revenue collections by approximately \$100,000 in FY2016 and \$200,000 in FY2017.

Budget Submission Requirements

The article requires department heads to submit budget requests directly to the fiscal advisors of the Senate House instead of only to the Governor. Previously, department requests were submitted to the Governor’s Budget Officer, who then provided copies to the Senate and House fiscal advisors. Pursuant to law, the requests must be submitted by October 1.

Article 13: Relating to Taxes and Revenues

This article includes a number of tax and fee changes, including:

- Establishes a new exemption on the first \$15,000 of retirement income derived from pensions of individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less.
- Increases the amount of refundable earned income tax credit from 12.5 percent in tax year (TY) 2016 to 15.0 percent in TY2017.
- Reduces the annual minimum corporate tax by \$50 for the second consecutive year.
- Reduces the cost of seasonal passes and parking fees for state beaches to their pre-2011 levels.
- Reduces the rate applied to earnings used to calculate the fee hospitals pay to do business in Rhode Island.
- Changes the application fee for partnerships by reducing the current \$100 for each partner with a cap of \$2,500, to a flat fee of \$150 in total. The annual renewal fee is also changed from \$100 per partner to a flat \$150 fee per application.
- Establishes a two-tiered framework for alcohol distilleries, setting lower rates for small producers, while maintaining current fees and tax thresholds for the larger producers.
- Changes tax filing dates for corporations and partnerships, aligning them with federal law.
- Clarifies that transportation network companies such as Uber are subject to the State's 7.0 percent sales tax.
- Provides that revenues received from the Motor Fuel Use Tax will be deposited in the Intermodal Surface Transportation Fund, rather than the general fund, for use by the Department of Transportation. There is no general revenue impact as the tax was estimated to generate \$0 in FY2017.
- Extends the sunsets of the Motion Picture & Historic Tax credits to June 30, 2021, and June 30, 2017, respectively. The Motion Picture Production Tax credit provides a 25.0 percent credit for state certified production costs related to motion picture activity. The Historic Structures Tax Credit program provides various tax credits against expenditures related to the rehabilitation of qualified historic buildings.

FISCAL IMPACT

This article decreases general revenue by \$12.1 million for FY2017. The table on the following page itemizes the impact of each initiative.

Article 13 Tax and Revenue Changes	FY2017
Pension Tax Exemption	(\$6.3)
Earned Income Tax Credit	(2.7)
Minimum Corporate Tax	(1.6)
Beach Fees & Reimbursements	(1.3)
Hospital License Fee	(0.1)
Corporate Tax Filing Parity	(0.0)
Small Distilleries	(0.0)
Corporate Filing Dates	Informational
Transportation Network Companies	Informational
Motor Fuel Tax	Informational
Motion Picture & Historic Tax Credits	Informational
Total	(\$12.1)

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

ANALYSIS AND BACKGROUND

This article makes a number of tax and fee changes impacting general revenue collections, including exempting a portion of pension income for qualifying individuals, reducing fees at State beaches and the minimum tax corporations must pay each year. These changes are summarized below.

Pension Tax Exemption

(\$6.3 million)

This article establishes a new exemption on retirement income derived from pensions of individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less. The State personal income tax will not be applied to the first \$15,000 of annual income derived from private pension plans; federal, state, and local government retirement plans; and military plans. The estimated value of these exemptions is \$6.3 million in FY2017 and approximately \$13.0 million in FY2018.

Earned Income Tax Credit (EITC)

(\$2.7 million)

This article increases the amount of refundable earned income tax credit from 12.5 percent of the allowable federal credit amount in tax year (TY) 2016 to 15.0 percent in TY2017. The EITC is a refundable tax credit for low- to moderate-income working individuals and couples, particularly those with children. The following table demonstrates the financial impact on a single filer with one qualifying child.

Changes to Earned Income Tax Credit			
	TY2015 (Current)	TY2016 (Current)	TY2017 (Enacted)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

**Single filer, one qualifying child.*

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

Minimum Corporate Tax**(\$1.6 million)**

The annual minimum Business Corporations Tax is reduced by \$50, from \$450 to \$400, reducing general revenues by \$1.6 million. This represents the second consecutive budget to lower the minimum tax. The FY2016 Budget as Enacted reduced the tax from \$500 to \$450. The revenue impact will only apply to the first half of FY2017. The first full year impact will be in FY2018.

Regional Comparison	
State	Minimum Tax
Massachusetts	\$456
Rhode Island	\$400
Connecticut	\$250
Vermont	\$250
Maine	-
New Hampshire	-

Beach Fees and Reimbursements**(\$1.3 million)**

The cost of seasonal passes and parking fees for state beaches are reduced to their pre-2011 levels, which was the last time these fees were addressed in the Budget. The local share of the associated revenues are similarly being restored to their previous level of 20.0 percent. The Budget is reduced by \$1.3 million to accommodate these price and share changes.

Season Passes	Current	
	Rate	New Rate
Resident	\$ 60.00	\$ 30.00
Senior Resident	30.00	15.00
Non-Resident	120.00	60.00
Senior Non-Resident	60.00	30.00

Daily Parking (Weekday)	Current	
	Rate	New Rate
Resident	\$ 10.00	\$ 6.00
Senior Resident	5.00	5.00
Non-Resident	20.00	20.00
Senior Non-Resident	10.00	10.00

Daily Parking (Weekend)	Current	
	Rate	New Rate
Resident	\$ 15.00	\$ 7.00
Senior Resident	8.00	3.50
Non-Resident	25.00	14.00
Senior Non-Resident	13.00	7.00

Hospital License Fee**(\$91,778)**

The calculation of the fee hospitals must pay to operate in Rhode Island is amended by this article. This fee is determined by applying a statutorily-prescribed percentage to hospital revenues derived from patient services. The FY2016 rate of 5.862 percent is reduced to 5.625 percent. The change results in a \$91,778

reduction in general revenues in the Budget. The estimated total of license fees collected from hospitals in FY2017 is \$168.0 million.

Corporate Tax Filing Parity

(\$30,000)

The initial application fee for limited liability partnerships is reduced from the current \$100 for each partner with a cap of \$2,500, to a flat fee of \$150 in total. The annual renewal fee is changed from \$100 per partner to a flat \$150 fee per application. General revenues are reduced by \$30,000 in FY2017 to accommodate these changes.

Small Distilleries

(\$30,000)

The article establishes a two-tiered licensing and fee framework for alcohol distilleries. Annual license fees for small producers (less than 50,000 gallons of distilled spirits produced annually) is set at \$500, for all others it remains \$3,000. The first 49,999 gallons of spirits produced by an established (operating for 12 months or more) distiller are exempt from the alcohol tax. Revenues are reduced by an estimated \$30,000 annually.

Corporate Filing Dates

Informational

Filing deadlines for business taxes are brought into alignment with federal law based on the following schedule:

Tax	Due Date Statute	Summary Changes		Current Est. Pmt. Due Date
		Current Filing Deadline	Proposed Filing Deadline	
Corporate Income Tax	44-11-3 & 44-26-2.1	15th day of the 3rd month after close of taxable year	15th day of the 4rd month after close of taxable year	1st pmt: 15th day of 3rd month:40%; 2nd pmt: 15th day of the 6th month: 60%
Insurance Companies Tax on Gross Earnings Tax	44-17-1	March 1	April 15th	1st pmt: March 15; 2nd pmt: June 15
Public Service Corporate Gross Earnings Tax	44-13-6	March 1	April 15th	1st pmt: March 15; 2nd pmt: June 15
Bank Excise	44-14-6	15th day of the 3rd month after close of taxable year	15th day of the 4rd month after close of taxable year	1st pmt: March 15; 2nd pmt: June 15
Limited Partnerships	7-12-60	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A
Limited Liability Companies	7-13-69	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A
Partnerships	7-16-67	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A

Transportation Network Companies

Informational

This article clearly establishes in statute that businesses such as Uber and Lyft that use a digital network to connect passengers to the network's local operators are providing a retail service that is subject to the State's 7.0 percent sales. Local affiliated drivers will now have to remit sales tax for their rides beginning July 1, 2016. A revenue impact of this change has not been budgeted given the initial difficulty in estimating the magnitude of ridership and the likely rate of sales tax remittance.

Motor Fuel Tax

Informational

Revenues received from the Motor Fuel Use Tax will be deposited in the Intermodal Surface Transportation Fund, rather than the general fund, for use by the Department of Transportation. There is no general revenue impact as the tax was estimated to generate \$0 in FY2017.

Motion Picture & Historic Tax Credits***Informational***

The Motion Picture Production Tax credit provides a 25.0 percent credit for state certified production costs related to motion picture activity. The program's sunset has been extended from June 30, 2019, to June 30, 2021. The Historic Structures Tax Credit program provides various tax credits against expenditures related to the rehabilitation of qualified historic buildings. This article extend the program's sunset from June 30, 2016, to June 30, 2017.

Article 14: Relating to Caregivers/Compassion Centers (Medical Marijuana)

This article significantly amends the administration and regulation of the State’s medical marijuana program. The primary change is the establishment of a tagging system that will require licensed growers of medical marijuana to annually purchase a State-issued tag for each plant grown. Fees and plant-possession limits vary depending upon the classification of the grower. The article designates the Department of Business Regulation (DBR) as the licensing agency for growers and charges the agency with administering the sale of tags and tracking information on the cultivation of the drug. The Department of Health (DOH) will continue to have regulatory and licensing authority over patients and caregivers, as well as over a newly created license-holder called “authorized purchasers” that may buy medical marijuana on behalf of patients.

The article shifts funding for administration and regulation of the program from general revenues to restricted receipt accounts financed through associated fees and tag sales.

FISCAL IMPACT

The Budget assumes \$2.0 million in restricted receipt funding to finance the administration of the state’s medical marijuana system by the Departments of Health and Business Regulation. \$500,000 in licensing fee revenue is budgeted in FY2017 for DOH’s medical marijuana oversight and regulatory duties, including the addition of a new “authorized purchaser” license. \$1.5 million of restricted receipts are appropriated in the Budget for DBR, with \$1.2 million delineated for IT infrastructure and staff training in service of the new plant tag system. Annual tag prices will be no more than \$25. An additional 4.0 FTEs are authorized by the Budget to support DBR’s new responsibilities.

License renewals for patients, caregivers, and authorized purchasers will change from annual to biennial beginning January 1, 2017. Fees will reflect a corresponding 50.0 percent decrease in cost. A net general revenue loss of \$700,000 million is assumed in FY2017 based on the overall restructuring of medical marijuana oversight and shifting of fees to restricted receipts.

Article 14 - Medical Marijuana Fees

Category	Tag Fee	License Fee
Patients	\$25	TBD by regulation
Caregiver	25	TBD by regulation
Authorized Purchaser	N/A	TBD by regulation
Cultivator	TBD by regulation	TBD by regulation
Co-ops	25	TBD by regulation
Compassion Center	-	\$5,000

**\$0 for patients who qualify for reduced registration due to income or disability status per R.I.G.L. 21-28.6.*

ANALYSIS AND BACKGROUND

This article revises the regulatory framework related to the State’s medical marijuana program, particularly around new licensing and the creation of a plant tagging system.

Licensing & Regulation

DOH is responsible for overseeing and regulating the use and purchase of the medicine. This includes the registration of patients and caregivers, as well as the new authorized purchaser classification. The authorized purchaser is an individual who must be at least 21-years old and registered with the DOH for

purposes of assisting a qualified patient in purchasing medical marijuana from a compassion center. The authorized purchaser will be issued a registration card and is permitted to possess but not consume the marijuana.

The Department of Business Regulation will be the primary authority relative to the growing and sale of the drug. The Department is charged with licensing the compassion centers, compassion center staff, and a newly established class called a “cultivator”. Cultivators will be permitted to acquire, possess, and grow medical marijuana for the exclusive purpose of supplying the State’s three compassion centers. DBR is authorized to regulate and inspect cultivators, including the number and nature of growing locations. Caregivers and patients who grow medical marijuana will no longer be able to sell to the compassion centers, however they can continue to gift unused medicine to indigent patients who cannot grow themselves. Patients and caregivers will continue to be permitted to cooperatively grow medical marijuana pursuant to the new tagging system administered by DBR.

Medical Marijuana Plant Tagging System

A tagging system is established under which each medical marijuana plant in the state will be required to have a State-issued tag. Two types of tags will be issued and made available for sale by the Department of Business Regulation. The first is for mature marijuana plants that have flowers or buds that are “readily observable”. For those with no flowers or buds a “seedling” tag must be purchased. The tags will be sold in pairs and made available according to specified plant limitations.

Category	Plant Limits	
	Mature Plant	Seedling
Patients	12	12
Caregiver	24	24
Co-ops (non-residential)	48	48
Co-ops (residential)	24	24
Cultivator	TBD by regulation	TBD by regulation
Compassion Center	TBD by regulation	TBD by regulation

The number of plants that each licensed class is permitted to own remains unchanged from current law. Patients retain the authorization to have 12 plants and 12 seedlings. Caregivers can have up to 24 plants and 24 seedlings depending on the number of patients assigned to them. All growing done by patients and caregivers must take place at a registered location, designated as “one’s premises”, and the production of marijuana extract by compressed, flammable gas solvent is prohibited. The DBR will be responsible for promulgating regulations related to the methods and amount of medical marijuana a licensed cultivator may grow and how it is tracked.

Licensed medical marijuana plant growers must renew plant and seedling tags annually and pay the appropriate fee per the Department’s regulations, however, patients and caregivers cannot be charged more than \$25 per tag and those who are Medicaid eligible will not be charged.

The DBR is required to develop and manage a medical marijuana tag database. The database will be used for tracking the ownership and location of medical marijuana throughout the state.

Article 15: Relating to Lease Agreements for Leased Office and Operating Space

This article provides the joint resolution pursuant to RIGL 37-6-2 (d) requesting authorization to enter into lease agreements for office space for the Commission on Human Rights.

FISCAL IMPACT

The total leased cost for the office space and parking is \$189,450. The proposed cost for the leased office space and parking located at the Rhode Island Convention Center Authority is \$193,938, an increase of \$12,588 in the annual rent. However, the change in venue for parking the Commission's employees' cars is a decrease of \$8,100 per year. Therefore, the net increase is \$4,488 per year. According to the Budget Office, the Commission will use projected turnover savings to cover the cost difference in FY2017.

The article authorizes an aggregate office space only rent not to exceed \$879,690 after 5 years. Similar to the current authorized lease, parking rent is not factored into this authorization.

	Current Lease	Proposed Lease	Change
Base Rent	\$163,350	\$175,938	\$12,588
Parking	26,100	-	(26,100)
Subtotal	\$189,450	\$175,938	(\$13,512)
RICCA Parking	\$0	\$18,000	\$18,000
Total	\$189,450	\$193,938	\$4,488

ANALYSIS AND BACKGROUND

This article provides the joint resolution pursuant to RIGL 37-6-2 (d) authorizing the State to enter into lease agreements for office space for the Commission on Human Rights. RIGL 37-6-2 (d) requires the State Properties Committee to gain General Assembly approval prior to entering into any "lease, rental agreement or extension of an existing rental agreement for leased office and operating space which carries a term of five (5) years or longer, including any options or extensions that bring the total term to five (5) years or longer, where the state is the tenant and the aggregate rent of the terms exceeds five hundred thousand dollars (\$500,000)."

The Commission for Human Rights leases 9,912 sq. ft office space with Dorwest Associates, LLC, located at 180 Westminster Street in the City of Providence. The current 5-year lease will expire on August 31, 2016. The current rent is \$163,350 per year (average cost per sq. ft. is \$16.48). There is an additional rent for parking of \$26,100 per year.

This article will authorize the Commission for Human Rights to enter into a new 5-year lease with Dorwest Associates, LLC at the same location with an annual rent of \$175,938 (average cost per sq. ft. is \$17.75) with an aggregate rent not to exceed \$879,690 after 5 years. The proposed lease does not include parking.

Currently, the Commission's lease includes 15 spaces at the Providence Place Mall at an annual cost of \$26,100. Although the article does not mention parking, the Commission will rent 15 spaces at the Rhode Island Convention Center garage at \$18,000 per year, reflecting a monthly cost of \$100 per month per vehicle for 5 years.

Article 16: Relating to Clean Diesel Program

This article establishes the Rhode Island Clean Diesel Fund within the Department of Environmental Management (DEM) for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent or more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

FISCAL IMPACT

This article does not have a programmed fiscal impact on the State, since the program is subject to appropriation; however, in FY2017 the Budget provides \$2.0 million for this program.

ANALYSIS AND BACKGROUND

This article establishes the Rhode Island Clean Diesel Fund within the Department of Environmental Management (DEM) for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program.

The DEM will promulgate rules and regulation containing a list of eligible measures including, but not limited to, aerodynamic technologies, clean alternative fuel conversions, low rolling resistance tires, and vehicle replacements. To be eligible for grant funding, equipment must be intended for on-road use, registered with the Rhode Island Division of Motor vehicles, garaged in Rhode Island, and certified to DEM that for five years following the grant award 50.0 percent or more of vehicle miles traveled or hours of operation are projected to be in Rhode Island. Grants may not be awarded to aid in compliance with existing mandates in state or federal law.

If total grants requested exceed the amount appropriated, a single applicant cannot be awarded more than 25.0 percent of the grant funds appropriated during a given fiscal year. DEM may award a grant up to 50.0 percent of the total project cost, including materials and labor, for each eligible measure implemented by the applicant.

For vehicle replacement, the applicant must replace a vehicle, which is at least 10 years old with a gross vehicle weight rating of at least 33,001 pounds, with a newer vehicle no more than three years old and certified to more stringent emissions standards. The engine of the vehicle being replaced must be scrapped or rendered inoperable according to the rules promulgated by DEM. The grant amount for the purchase of vehicle cannot include interest or finance charges.

Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

Article 17: Relating to Commerce

This article makes several changes to existing tax credits managed by the Commerce Corporation. Specifically, the article:

- The article adds several provisions to the Rebuild Rhode Island Tax Credit Fund (Rebuild RI) that provide fiscal stability in preparing future State Budgets, enhances transparency concerns, authorizes additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities.
- The article authorizes the Air Service Development Fund and includes \$1.5 million in general revenue to support the creation of additional direct airline routes to major metropolitan areas.
- The article redistributes approximately \$1.1 million in hotel tax proceeds designated for the Rhode Island Commerce Corporation to the various tourism districts in the State impacting the proceeds collected on or before July 1, 2016, to on or before June 30, 2017. The redistribution of hotel tax proceeds does not impact those funds generated from residential units offered for tourist or transient hosting.
- The article amends RIGL 42-64.24.24-3 to change the definition of “I-195 land.”

FISCAL IMPACT

- The Budget includes \$26.5 million in additional funding FY2017 for the following tax credit and economic programs, and redistributes funds designated to the Rhode Island Commerce Corporation:
 - \$25.0 million for the Rebuild Rhode Island Tax Credit program.
 - \$1.5 million for the Air Service Development Fund program.
 - Redistributes \$1.1 million in hotel tax proceeds designated for the Rhode Island Commerce Corporation to the various tourism districts in the State.

ANALYSIS AND BACKGROUND

Rebuild Rhode Island Tax Credit Fund

- The Budget adds several provisions to the Rebuild Rhode Island Tax Credit Fund (Rebuild RI) that provide fiscal stability in preparing future State Budgets, enhances transparency concerns, authorizes additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities. This includes:
 - Establishes a cap not to exceed \$150.0 million as the aggregate sum for the Rebuild RI tax credits to provide stability in planning future State Budgets for the redeemed tax credits. The sunset provision is maintained and the Rebuild RI Fund sunsets on December 31, 2018. No credits will be authorized after this date.
 - Allows for no more than once per year, the use of the Rebuild RI tax credits for a development project undertaken by a tenant or commercial condominium owner for the development of land and building within I-195 Redevelopment District. In addition, a qualified development project by a tenant or commercial condominium owner on I-195 Redevelopment District land may be exempt from the provision that the maximum Rebuild RI credit be the lesser of 30.0 percent of the total project cost.
 - Requires the Director of the Office of Management and Budget to provide written confirmation in notifying the Rhode Island Commerce Corporation Board on the impact that each proposed project will have on the aggregated authorized program tax credit limit.

- Allows the Commerce Corporation to use the Rebuild RI funds to make loans or equity investments as an alternative incentive in lieu of the tax credits, as long as the applicant otherwise qualifies for the Rebuild RI tax credits.

Air Service Development

The Budget authorizes the Air Service Development Fund and includes \$1.5 million in general revenue to support the creation of additional direct airline routes to major metropolitan areas. The Administration believes that T.F. Green is well-positioned to capitalize on the airline industry trend to add new air routes. It has become common practice in the industry to provide a revenue backstop to an airline that is implementing a new route, in essence, providing a limited, capped amount of money to compensate the airline for losses incurred if the new route is not profitable.

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

Hotel Tax Proceeds

The Budget redistributes approximately \$1.1 million in hotel tax proceeds designated for the Rhode Island Commerce Corporation to the various tourism districts in the State impacting the proceeds collected on or before July 1, 2016, to on or before June 30, 2017. The redistribution of hotel tax proceeds does not impact those funds generated from residential units offered for tourist or transient hosting. The following table illustrates the projected impact of the one-year redistribution:

Tourism District	FY2017 Original Distribution	FY2017 Planned Distribution	Change
Aquidneck Island	\$2,950,401	\$3,301,639	\$351,238
Block Island	299,252	334,877	35,625
Convention Authority of Providence	1,448,287	1,603,460	155,174
East Providence	48,965	54,795	5,829
Northern Rhode Island	390,139	436,584	46,445
South County	1,073,958	1,201,810	127,852
Statewide	147,791	165,385	17,594
Warwick Dept of Econ Development	761,743	843,359	81,615
Providence Warwick Convention & Visitor Bureau	2,399,966	2,633,799	233,834
Rhode Island Commerce Corporation	5,167,982	4,112,775	(1,055,207)
Municipalities	4,896,161	4,896,161	-
Total	\$19,584,644	\$19,584,644	\$0

Amounts may vary due to rounding.

I-195 Land Definition

The article amends RIGL 42-64.24-3 to change the definition of “I-195 land” by deleting language that includes the area within one-quarter mile radius of the outermost boundary of the I-195 land and inserts new language that includes any other property any portion of which abuts, is located across the street from, or is within 500 feet of the I-195 land.

Article 18: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2016, except as otherwise provided herein.



APPENDIX

ALL FUNDS EXPENDITURES

General Government	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Change from		
				Enacted	Enacted	
Administration	\$415,448,655	\$368,031,640	\$393,083,116	\$25,051,476	\$391,952,283	\$29,663,033
Business Regulation	12,676,052	14,620,512	14,053,095	(567,417)	15,859,889	1,239,377
Labor and Training	429,213,620	443,730,008	452,118,755	8,388,747	419,517,728	(24,212,280)
Revenue	449,017,632	423,207,249	470,328,651	47,121,402	485,517,596	62,310,347
Legislature	36,190,422	41,154,944	44,105,835	2,950,891	42,749,302	1,594,358
Office of Commerce	203,145	74,924,345	78,558,066	3,633,721	79,415,044	4,490,699
Lieutenant Governor	971,873	1,192,621	1,043,068	(149,553)	1,079,576	(113,045)
Secretary of State	7,691,503	7,986,884	7,799,433	(187,451)	10,937,570	2,950,686
General Treasurer	41,532,194	39,094,693	43,452,950	4,358,257	37,560,433	(1,534,260)
Board of Elections	4,656,136	1,818,305	1,797,868	(20,437)	1,982,707	164,402
Ethics Commission	1,579,038	1,644,876	1,611,119	(33,757)	1,653,383	8,507
Office of the Governor	4,401,893	4,903,467	5,047,959	144,492	5,091,069	187,602
Commission for Human Rights	1,556,738	1,548,010	1,554,766	6,756	1,581,423	33,413
Public Utilities Commission	6,762,365	8,684,685	8,672,349	(12,336)	8,926,973	242,288
Total	\$1,411,901,266	\$1,432,542,239	\$1,523,227,030	\$90,684,791	\$1,503,824,976	\$77,025,127
Human Services						
Office of Health and Human Services	\$2,334,650,460	\$2,387,903,953	\$2,435,742,218	\$47,838,265	\$2,398,192,585	\$10,288,632
Children, Youth, and Families	221,570,379	216,592,410	222,174,039	5,581,629	216,489,823	(102,587)
Health	111,422,584	121,401,905	133,048,066	11,646,161	162,884,652	41,482,747
Human Services	621,643,199	622,403,505	650,869,277	28,465,772	602,087,123	(20,316,382)
BHDDH	375,124,214	370,945,694	380,970,713	10,025,019	385,632,555	14,686,861
Governor's Commission on Disabilities	1,215,102	428,524	446,427	17,903	685,423	256,899
Governor's Commission on the Deaf	430,792	491,883	539,040	47,157	587,746	95,863
Office of the Child Advocate	660,641	717,273	714,417	(2,856)	795,582	78,309
Office of the Mental Health Advocate	504,149	508,251	549,419	41,168	542,009	33,758
Total	\$3,667,221,520	\$3,721,393,398	\$3,825,053,616	\$103,660,218	\$3,767,897,498	\$46,504,100
Education						
Elementary and Secondary Education	\$1,232,188,487	\$1,308,490,695	\$1,312,117,292	\$3,626,597	\$1,353,972,840	\$45,482,145
Public Higher Education	1,047,360,269	1,090,159,436	1,124,024,805	33,865,369	1,161,281,203	71,121,767
Council on the Arts	2,387,241	4,036,698	3,524,186	(512,512)	3,030,538	(1,006,160)
Atomic Energy Commission	1,187,852	1,337,169	1,621,976	284,807	1,333,049	(4,120)
Higher Education Assistance Authority	15,190,541	-	-	-	-	-
Historical Preservation and Heritage Comm.	5,446,730	3,956,703	4,059,449	102,746	2,803,698	(1,153,005)
Public Telecommunications Authority	-	-	-	-	-	-
Total	\$2,303,761,120	\$2,407,980,701	\$2,445,347,708	\$37,367,007	\$2,522,421,328	\$114,440,627
Public Safety						
Attorney General	\$30,936,848	\$34,035,317	\$34,824,802	\$789,485	\$35,142,783	\$1,107,466
Corrections	201,390,140	211,025,689	212,550,101	1,524,412	224,790,655	13,764,966
Judiciary	109,785,453	116,299,126	115,680,453	(618,673)	117,067,369	768,243
Military Staff	15,544,752	19,408,098	18,945,421	(462,677)	23,177,316	3,769,218
Emergency Management Agency	14,535,853	18,537,918	28,530,116	9,992,198	23,994,138	5,456,220
Public Safety	117,204,896	123,725,416	138,049,921	14,324,505	119,972,144	(3,753,272)
Public Defender	10,902,222	11,700,347	11,616,528	(83,819)	11,897,202	196,855
Total	\$500,300,164	\$534,731,911	\$560,197,342	\$25,465,431	\$556,041,607	\$21,309,696
Natural Resources						
Environmental Management	\$88,968,734	\$99,304,621	\$101,184,587	\$1,879,966	\$102,747,614	\$3,442,993
Coastal Resources Management Council	4,669,180	5,669,383	5,257,098	(412,285)	7,322,525	1,653,142
Total	\$93,637,914	\$104,974,004	\$106,441,685	\$1,467,681	\$110,070,139	\$5,096,135
Transportation						
Transportation	\$415,640,470	\$463,816,478	\$480,858,909	\$17,042,431	\$478,457,845	\$14,641,367
Grand Total	\$8,392,462,454	\$8,665,438,731	\$8,941,126,290	\$275,687,559	\$8,938,713,393	\$279,017,052

GENERAL REVENUE EXPENDITURES

				<i>Change from</i>		<i>Change from</i>
General Government	FY2015 Actual	FY2016 Enacted	FY2016 Revised	Enacted	FY2017 Enacted	Enacted
Administration	\$244,775,881	\$197,494,291	\$216,391,399	\$18,897,108	\$237,083,518	\$39,589,227
Business Regulation	8,556,174	9,236,495	8,795,640	(440,855)	10,583,452	1,346,957
Labor and Training	8,553,272	8,324,769	8,382,039	57,270	8,212,636	(112,133)
Revenue	106,969,845	113,198,446	110,177,157	(3,021,289)	113,893,951	695,505
Legislature	34,865,422	39,474,071	42,490,012	3,015,941	41,052,730	1,578,659
Office of Commerce	203,145	60,840,542	60,527,948	(312,594)	55,574,117	(5,266,425)
Lieutenant Governor	959,864	1,127,621	1,043,068	(84,553)	1,079,576	(48,045)
Secretary of State	7,164,977	6,951,530	6,747,368	(204,162)	10,281,051	3,329,521
General Treasurer	2,400,368	2,420,250	2,307,642	(112,608)	2,736,231	315,981
Board of Elections	4,656,136	1,818,305	1,797,868	(20,437)	1,982,707	164,402
Ethics Commission	1,579,038	1,644,876	1,611,119	(33,757)	1,653,383	8,507
Office of the Governor	4,401,947	4,903,467	5,047,959	144,492	5,091,069	187,602
Commission for Human Rights	1,225,335	1,252,174	1,243,892	(8,282)	1,258,128	5,954
Total	\$426,311,404	\$448,686,837	\$466,563,111	\$17,876,274	\$490,482,549	\$41,795,712
Human Services						
Office of Health and Human Services	\$915,652,909	\$909,934,065	\$929,093,758	\$19,159,693	\$936,987,012	\$27,052,947
Children, Youth, and Families	158,285,858	152,587,731	154,782,322	2,194,591	151,773,764	(813,967)
Health	22,821,939	25,835,956	25,469,200	(366,756)	25,931,822	95,866
Human Services	94,560,297	98,271,683	96,105,465	(2,166,218)	97,636,314	(635,369)
BHDDH	173,264,827	172,488,711	175,345,472	2,856,761	173,184,239	695,528
Governor's Commission on Disabilities	355,439	383,056	381,890	(1,166)	412,547	29,491
Governor's Commission on the Deaf	387,625	411,883	409,040	(2,843)	477,746	65,863
Office of the Child Advocate	613,552	672,273	669,417	(2,856)	650,582	(21,691)
Office of the Mental Health Advocate	504,149	508,251	549,419	41,168	542,009	33,758
Total	\$1,366,446,595	\$1,361,093,609	\$1,382,805,983	\$21,712,374	\$1,387,596,035	\$26,502,426
Education						
Elementary and Secondary Education	\$1,002,464,660	\$1,067,719,085	\$1,066,141,022	(\$1,578,063)	\$1,112,847,293	\$45,128,208
Public Higher Education	188,223,129	196,304,956	180,983,077	(15,321,879)	196,357,528	52,572
Council on the Arts	1,490,966	1,863,052	1,844,590	(18,462)	1,951,884	88,832
Atomic Energy Commission	872,139	957,170	936,450	(20,720)	981,100	23,930
Higher Education Assistance Authority	147,000	-	-	-	-	-
Historical Preservation and Heritage Comm.	1,138,182	1,380,972	1,426,155	45,183	1,202,559	(178,413)
Public Telecommunications Authority	-	-	-	-	-	-
Total	\$1,194,336,076	\$1,268,225,235	\$1,251,331,294	(\$16,893,941)	\$1,313,340,364	\$45,115,129
Public Safety						
Attorney General	\$23,949,930	\$25,193,210	\$24,222,410	(\$970,800)	\$25,595,982	\$402,772
Corrections	196,162,110	200,225,250	202,469,346	2,244,096	211,700,506	11,475,256
Judiciary	94,371,203	96,031,046	95,181,117	(849,929)	96,606,091	575,045
Military Staff	2,144,129	2,065,434	2,313,408	247,974	2,659,719	594,285
Emergency Management Agency	1,796,019	1,766,002	1,762,453	(3,549)	1,848,876	82,874
Public Safety	99,121,734	97,060,493	93,657,274	(3,403,219)	99,442,148	2,381,655
Public Defender	10,829,860	11,621,977	11,503,708	(118,269)	11,784,382	162,405
Total	\$428,374,985	\$433,963,412	\$431,109,716	(\$2,853,696)	\$449,637,704	\$15,674,292
Natural Resources						
Environmental Management	\$36,110,396	\$37,586,385	\$38,350,074	\$763,689	\$40,206,777	\$2,620,392
Coastal Resources Management Council	2,313,282	2,433,260	2,421,855	(11,405)	2,452,438	19,178
Total	\$38,423,678	\$40,019,645	\$40,771,929	\$752,284	\$42,659,215	\$2,639,570
Grand Total	\$3,453,892,738	\$3,551,988,738	\$3,572,582,033	\$20,593,295	\$3,683,715,867	\$131,727,129

FTE POSITIONS

	FY2016 Enacted	FY2016 Revised	Change to Enacted	FY2017 Enacted	Change to Enacted
General Government					
Administration	711.7	712.7	1.0	708.7	(3.0)
Business Regulation	98.0	98.0	-	97.0	(1.0)
Executive Office of Commerce	16.0	5.0	(11.0)	16.0	-
Labor and Training	410.0	409.5	(0.5)	409.5	(0.5)
Revenue	514.5	505.0	(9.5)	523.5	9.0
Legislature	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	-	59.0	2.0
General Treasurer	84.0	83.0	(1.0)	88.0	4.0
Board of Elections	11.0	11.0	-	12.0	1.0
Ethics Commission	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	-	14.5	-
Public Utilities Commission	50.0	50.0	-	51.0	1.0
Total	2,330.2	2,309.2	(21.0)	2,342.7	12.5
Human Services					
Office of Health and Human Services	187.0	184.0	(3.0)	179.0	(8.0)
Children, Youth, and Families	672.5	672.5	-	629.5	(43.0)
Health	490.6	491.3	0.7	503.6	13.0
Human Services	959.1	959.1	-	937.1	(22.0)
BHDDH	1,421.4	1,419.4	(2.0)	1,352.4	(69.0)
Office of the Child Advocate	6.0	6.0	-	6.0	-
Governor's Commission on the Deaf	3.0	3.0	-	4.0	1.0
Governor's Commission on Disabilities	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	4.0	3.7	(0.3)	4.0	-
Total	3,747.6	3,743.0	(4.6)	3,619.6	(128.0)
Education					
Elementary and Secondary Education	337.4	344.4	7.0	352.1	14.7
Public Higher Education	3,513.4	3,498.4	(15.0)	3,524.0	10.6
Council on the Arts	8.6	6.0	(2.6)	8.6	-
Atomic Energy Commission	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	-	22.0	22.0	-	-
Historical Preservation and Heritage Commission	16.6	16.6	-	16.6	-
Total	3,884.6	3,896.0	11.4	3,909.9	25.3
Public Safety					
Attorney General	236.1	236.1	-	235.1	(1.0)
Corrections	1,419.0	1,419.0	-	1,423.0	4.0
Judiciary	724.3	723.3	(1.0)	723.3	(1.0)
Military Staff	92.0	85.0	(7.0)	92.0	-
Emergency Management	32.0	32.0	-	29.0	(3.0)
Public Safety	633.2	633.2	-	610.2	(23.0)
Public Defender	93.0	93.0	-	93.0	-
Total	3,229.6	3,221.6	(8.0)	3,205.6	(24.0)
Natural Resources					
Environmental Management	399.0	399.0	-	399.0	-
Coastal Resources Management Council	29.0	29.0	-	29.0	-
Total	428.0	428.0	-	428.0	-
Transportation	752.6	752.0	(0.6)	701.0	(51.6)
Higher Education Sponsored Research					
Office of Higher Education	1.0	1.0	-	1.0	-
CCRI	89.0	94.0	5.0	89.0	-
RIC	82.0	82.0	-	82.0	-
URI	573.8	573.8	-	573.8	-
Total	745.8	750.8	5.0	745.8	-
Grand Total	15,118.4	15,100.6	(17.8)	14,952.6	(165.8)

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