



**SENATE FISCAL OFFICE
REPORT**

FY2015 BUDGET AS ENACTED

INCLUDING FY2014 REVISED BUDGET

JULY 11, 2014

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EXECUTIVE SUMMARY

Executive Summary

Expenditures by Fund	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	enacted		Enacted	enacted	
General Revenue	\$3,216.0	\$3,359.8	\$3,352.4	(\$7.4)	-0.2%	\$3,445.2	\$85.4	2.5%
Federal Funds	2,519.8	2,717.7	2,930.0	212.3	7.8%	3,086.5	368.9	13.6%
Restricted Receipts	198.4	255.0	278.7	23.7	9.3%	283.1	28.0	11.0%
Other Funds	1,775.0	1,880.6	1,909.1	28.5	1.5%	1,965.4	84.8	4.5%
Total	\$7,709.3	\$8,213.1	\$8,470.2	\$257.1	3.1%	\$8,780.2	\$567.1	6.9%

Expenditures by Source								
General Government	\$1,496.4	\$1,487.5	\$1,600.3	\$112.8	7.6%	\$1,513.4	\$25.9	1.7%
Human Services	3,047.5	3,305.8	3,423.8	118.0	3.6%	3,743.1	437.3	13.2%
Education	2,211.4	2,317.9	2,321.4	3.4	0.1%	2,360.9	43.0	1.9%
Public Safety	473.8	520.7	532.5	11.8	2.3%	528.8	8.1	1.6%
Natural Resources	72.2	120.9	107.6	(13.3)	-11.0%	108.8	(12.1)	-10.0%
Transportation	408.0	460.2	484.6	24.4	5.3%	525.1	64.9	14.1%
Total	\$7,709.3	\$8,213.1	\$8,470.2	\$257.1	3.1%	\$8,780.2	\$567.1	6.9%

FTE Authorization	14,935.0	15,118.3	15,100.3	(18.0)	-0.1%	15,086.0	(32.3)	-0.2%
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\$ in millions. Totals may vary due to rounding

The Budget is an a \$8.8 billion all funds spending plan that addresses a projected operating deficit that grew by \$66.6 million since the Governor presented his balanced budget plan in January 2014. It addresses the challenges presented by the results of the May 2014 Caseload Estimating Conference and the Revenue Estimating Conference which both reduced available revenues, while new State employee contracts contributed an unanticipated \$27.7 million expenditure increase.

The FY2015 Budget addresses this deficit through statewide personnel and turnover savings across all departments. The substantial increase in Medicaid caseload expenditures is dampened by an earlier-than-planned restart of RIte Care eligibility redetermination, which had been suspended for FY2015. Through a number of initiatives across departments such as Transportation and Human Services, general revenue expenses are shifted to other funding sources. These initiatives, along with other changes, reduced a \$66.6 million projected deficit to a \$575,000 surplus.

FY2015 Deficit Solution	General Revenue
Projected Deficit (July)	(\$149.3)
Nov REC/CEC	24.0
FY2014 Closing Surplus	68.9
Rainy Day Fund Transfer	(2.8)
Projected Deficit (January)	(\$59.2)
Governor's Budget Surplus	\$0.4
May REC/CEC	(39.3)
State Employee Contracts (COLA)	(27.7)
Projected Deficit (May)	(\$66.6)
Enacted Budget Initiatives	(67.1)
Projected Ending Balance	\$0.6

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

FY2014 SUPPLEMENTAL BUDGET

The all funds budget for FY2014 is \$8.5 billion, \$257.1 million more than enacted, primarily driven by increases in federal and other funds. General revenues are \$3.4 billion, \$7.4 million less than enacted.

The May 2014 Revenue Estimating Conference decreased net available general revenues for the State for FY2014 by \$10.6 million less than the Governor's proposal. The May 2014 Caseload Estimating Conference adopted medical and cash assistance expenditures \$9.0 million more than Governor.

The Budget includes the following major expenditure changes:

State Employee COLA: The Budget adds \$2.7 million in general revenue reflecting one quarter of the state employee COLA impact in the current fiscal year. The agreement between the State and the state employee bargaining units, calls for a proposed 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases. The current agreement is projected to increase general revenue expenditures by \$2.7 million is general revenue in FY2014.

FY2015 BUDGET

The FY2015 Budget is \$8.8 billion, \$567.1 million more than enacted. General revenues are \$3.4 billion, \$85.4 million more than enacted. Increases in general revenue as well as federal revenue is largely due to a substantial increase in Medicaid caseload. The refinancing of Tobacco Settlement Financing Corporation Bonds added to available revenue. The May 2014 Revenue Estimating Conference increased available general revenues by \$4.8 million as compared to the prior estimate from the November 2013 Revenue Estimating Conference.

Major Revenue Changes

- Decreases general revenue by \$17.5 million by transferring inspection sticker fees, motor vehicle title fees, and rental car surcharges to the Rhode Island Highway Maintenance Account.
- Includes an additional \$14.8 million in revenue based on a 0.5 percent increase to the Hospital Licensing Fee.
- Modifies the estate tax so that estates are granted a non-refundable credit valued at \$64,400, effectively exempting estates valued at less than \$1.5 million from the estate tax. Estates in excess of the threshold owe tax, but are allowed to take the credit; decreasing general revenue by \$9.4 million.
- Increases general revenue by \$5.0 million through issuance of Tobacco Settlement Financing Corporation Bonds for one-time funding of the Payment In Lieu of Taxes (PILOT) program.
- Adjusts the requirements to receive Property Tax Relief Credits to only allow elderly (over age 65) and disabled claimants to qualify; and, changes the calculation of the Earned Income Tax Credit, which will allow for a larger reimbursement amount to those who qualify; an increase of \$3.9 million.
- Reduces the corporate tax rate from 9.0 percent to 7.0 percent and institutes combined reporting for all C-corporations; an increase of general revenue by \$2.7 million.
- Dedicates revenue associated with the real estate conveyance tax to the Housing Resources Commission and the housing rental subsidy program; an increase of \$2.8 million in restricted receipts.
- Expands State participation in the Twin River marketing program, increasing State shares of marketing expenses at Twin River; a cost of \$1.1 million.

Major Expenditure Changes

In terms of statewide changes, the FY2015 Budget as Enacted includes a statewide turnover rate of 3.5 percent that is projected to save the State \$24.3 million in FY2015, comparable to the amount of the personnel increase for the COLA.

Categorized by type of investment or expenditure, other changes include:

Economic Development

- Authorizes the Rhode Island Convention Center Authority to issue \$45.0 million in debt for construction of a parking garage at the Garrahy Courthouse.
- Authorizes the Rhode Island Airport Corporation to issue \$60.0 million in debt for a number of projects, including the main runway expansion and de-icing systems.
- Adds \$122,492 over the FY2014 Budget as Enacted to the Rhode Island Commerce Corporation through the Department of Administration. The increase includes a new \$50,000 grant to the Ocean State Higher Education Economic Development and Administrative Network, an increase of \$55,503 to the Rhode Island Export Center located at Bryant University, an increase of \$66,989 to Urban Ventures, and the elimination of the \$50,000 grant to the Tall Ships program.

Capital Investments

The Budget includes the following to be placed on the ballot during the November 2014 election for capital improvements:

November 2014 Bond Referenda	Authorization
Higher Education Facilities - URI College of Engineering	\$125.0
Creative and Cultural Economy	35.0
Mass Transit Hub Infrastructure	35.0
Clean Water, Open Space and Healthy Communities	53.0
Total	\$248.0

\$ in millions.

Sustainable Transportation Funding

- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge. The authority to toll the Newport Bridge and the Mount Hope Bridge is maintained by RITBA.
- Transfers revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account, beginning in FY2015.
- 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.
- Transfers 3.5 cents of the gasoline tax to the Rhode Island Turnpike and Bridge Authority for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support beginning in FY2016.
- 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 Rhode Island Highway Maintenance Account.

- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the Rhode Island Highway Maintenance Account.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the Rhode Island Highway Maintenance Account.
- The RITBA maintains jurisdiction over the Newport/Pell Bridge, the Jamestown/Verrazzano Bridge, the Mount Hope Bridge, and the Sakonnet River Bridge and is responsible for the repair and maintenance of these bridges.

Education

- Decreases general revenue by \$500,000 for the Office of the Postsecondary Commissioner.
- Adds \$250,000 for the Small Business Development Center at URI.
- Includes \$7.0 million in RICAP funding for a new electrical substation at URI.
- Article 4 provides authority for the Board of Education and Department of Administration to enter into a long-term lease agreement with developers for the construction of a Nursing Education Center in the former South Street Power Station.
- Extends housing aid 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 reasons.
- Maintains the state reimbursement of school breakfast administrative costs as a mandatory program and the \$270,000 in general revenue funding. The Governor proposed to eliminate this funding and the requirement that this program be mandatory.
- Maintains \$240,000 in general revenue funding for the textbook reimbursement program, which was eliminated by the Governor.
- Supplants \$4.1 million in general revenue for the Higher Education Assistance Authority (RIHEAA) for the Scholarship and Grant program with \$4.1 million from the Agency's Operating Reserve.
- Decreases the FTE Authorization of RIHEAA to 22.0, the number of currently filled positions, and cuts \$500,000 in federal funding.
- Article 14 provides that the Governor's FY2016 Budget include a proposal for the transfer of RIHEAA's programs to appropriate agencies within state government.

Municipal Aid

- Provides \$3.3 million in FY2014 and \$5.0 million in FY2015 for the Municipal Road and Bridge Revolving Loan Fund.
- Provides a one-time increase of \$5.0 million for the PILOT program.
- Provides \$260,000 for personnel expenses associated with the inclusion of Fire Districts in Fiscal Stability Act, which provides financially distressed fire districts with State assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State.

Human Services

- Reverses the Governor's proposal to shift the care of eligible youth ages 19-21 with functional developmental disabilities in residential placements from the Department of Children, Youth, and Families to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

- Extends the expansion of the child care assistance pilot program for current program participants whose income increases up to 225.0 percent of the federal poverty level for an additional 24 months through September 30, 2016.
- Transfers \$30.0 million general revenue (\$60.0 million all funds) in Medicaid-funded behavioral health and substance abuse services from BHDDH to Rhody Health Partners managed care program at OHHS to allow for better coordination of primary, acute, and behavioral healthcare.
- Increases the appropriation for Medical Assistance by \$514.9 million all funds or 29.4 percent over the FY2014 level due to the expansion of Medicaid eligibility and to increased enrollment by those previously eligible.
- Reduces payments to Medicaid partners, including hospitals, nursing homes, and managed care organizations. The Budget includes savings from program improvements that will increase efficiencies and that increase federal funds. Despite achieving \$34.1 million in savings, the Budget does not reduce Medicaid benefits or eligibility.
- Eligibility for the State's share of supplemental security income (SSI) payments is expanded to individuals residing in RI Housing Waiver assisted living facilities, which includes St. Elizabeth's Court, Franklin Court, and Forest Farms. Beginning October 1, 2014, approximately 105 additional residents will receive the \$206 monthly payment.
- Increases support for housing assistance and homelessness prevention efforts through the Housing Resources Commission (HRC). Generated through an increase in the real estate conveyance tax from \$2.00 to \$2.30 per \$500, total funding for these programs increases by \$300,000 to \$2.8 million in restricted receipts in FY2015. The Budget also transfers \$600,000 in Mortgage Fraud Settlement funds from the Office of the Attorney General to the HRC.
- Modifies prohibitions regarding the amount of marijuana possessed by each of the State's three approved compassion centers. Rather than specifying the number of marijuana plants and the proportion of which shall be mature plants, each compassion center is required to limit its inventory to the projected need of its registered patients.

Public Safety

- Uses \$344,240 of Google settlement funds to update the probation and parole database known as the Community Mapping and Reentry System (CMARS). This system helps the Department of Corrections track parolees, including where offenders are living, past residences, and what charges they have.
- Assumes \$834,512 in Medicaid savings under the new Affordable Care Act based on expanded coverage available to the inmate population. Additionally, offenders on probation and parole can have health coverage upon release, including medical care, medicine, substance abuse, and behavioral health treatment services.
- Increases \$20,000 in funding for 3.0 Medicaid fraud investigator positions within the Department of the Attorney General, utilizing federal funds to fully support 2.0 of these investigator positions and partially funding the staff attorney.

Government Organization

- Establishes the Rhode Island Emergency Management Agency (RIEMA) as a distinct agency in FY2015, separate from the Rhode Island National Guard.

- Proposes the Governor's FY2016 budget recommendation include a plan to transfer all RIHEAA programs to other agencies within state government. All state departments are required to provide information to the Administration to help determine the specifics of the proposed transfer.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Accounts & Control	\$3.7	\$4.0	\$3.7	(\$0.3)	-7.5%	\$4.0	\$0.0	0.8%
Auditing	1.1	1.3	1.3	-	0.0%	1.4	0.1	10.0%
Budget/Office of Management and Budget	3.1	4.5	4.1	(0.4)	-8.9%	4.1	(0.4)	-8.9%
Construction Permitting, Approvals and Licensing	2.5	2.9	2.8	(0.1)	0.0%	2.5	(0.4)	0.0%
Capital Projects and Property Management	1.2	1.2	1.3	0.1	8.3%	1.3	0.1	8.3%
Central Management	2.3	3.1	3.2	0.1	3.2%	2.5	(0.6)	-19.4%
Debt Service Payments	195.0	193.0	189.5	(3.5)	-1.8%	219.3	26.3	13.6%
Energy Resources	4.0	11.2	12.0	0.8	7.1%	5.7	(5.5)	-49.1%
Facilities Management	33.7	37.4	35.1	(2.3)	-6.1%	35.7	(1.7)	-4.5%
General	42.8	70.9	66.2	(4.7)	-6.6%	60.5	(10.4)	-14.7%
Human Resources	10.6	11.2	10.7	(0.5)	-4.5%	10.6	(0.6)	-5.4%
Information Technology	31.1	34.0	33.2	(0.8)	-2.4%	33.8	(0.2)	-0.6%
Legal Services	2.0	2.0	2.3	0.3	15.0%	2.0	-	0.0%
Library and Information Services	2.0	2.2	2.4	0.2	9.1%	2.1	(0.1)	-4.5%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%
Personnel Reform	0.6	-	-	-	0.0%	-	-	0.0%
Planning	16.5	20.7	23.5	2.8	13.5%	20.9	0.2	1.0%
Purchasing	2.8	3.2	3.2	-	0.0%	3.0	(0.2)	-6.3%
Rhode Island Health Benefits Exchange	21.8	28.3	52.4	24.1	0.0%	23.4	(4.9)	0.0%
Salary and Benefit Adjustments	-	(2.5)	5.5	8.0	0.0%	(8.3)	(5.8)	0.0%
Office of Diversity, Equity, and Opportunity	-	-	-	-	0.0%	0.9	0.9	0.0%
Total	\$376.9	\$428.7	\$452.5	\$23.8	5.6%	\$425.6	(\$3.1)	-0.7%

Expenditures by Source								
General Revenue	\$260.9	\$264.8	\$263.3	(\$1.5)	-0.6%	\$268.8	\$4.0	1.5%
Federal Funds	48.0	62.2	91.7	29.5	47.4%	51.4	(10.8)	-17.4%
Restricted Receipts	7.2	15.9	18.4	2.5	15.7%	36.4	20.5	128.9%
Other Funds	60.8	85.8	79.1	(6.7)	-7.8%	69.0	(16.8)	-19.6%
Total	\$376.9	\$428.7	\$452.5	\$23.8	5.6%	\$425.6	(\$3.1)	-0.7%

Authorized FTE Levels 712.1 720.7 720.7 - 0.0% 710.7 (10.0) -1.4%
\$ 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 210 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2015

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

For FY2014, the Budget includes an additional \$24.1 million for HealthSource RI, Rhode Island's health insurance exchange, due to increased federal funding and to reflect project delays that have pushed funding from FY2013 to FY2014.

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 provides 37.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Accounts and Control	General Revenue
FY2014 Enacted	\$3,966,422
<i>Target and Other Adjustments</i>	<i>7,326</i>
FY2015 Enacted	\$3,973,748

BUREAU OF AUDITS

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

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

BUDGET/OFFICE OF MANAGEMENT AND BUDGET

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

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

The Budget provides 31.0 positions in FY2014 and in FY2015, consistent with the enacted level.

Office of Management and Budget	General Revenue
FY2014 Enacted	\$4,049,888
<i>Target and Other Adjustments</i>	
	<i>175,692</i>
Federal Grants Administration	209,031
Electronic Local Permitting Initiative	(280,000)
Turnover	(136,475)
FY2015 Enacted	\$4,018,136

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

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

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

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

According to the Department of Administration a Request for Proposal was drafted and sent to State Purchasing on February 25, 2014, for public posting. The Department is scheduled to receive the last vendor presentation on June 27, 2014, and anticipates having a vendor identified and on-site by the beginning of July 2014 pending contract approvals and purchase order issuance. Completion of a functioning State platform is projected for December 2014. Phase II of the initiative for municipalities could commence soon after the State platform is in place, depending on the availability of funding.

Turnover**(\$136,475)**

The Budget decreases general revenue by \$136,475 based on anticipated turnover savings for the Program.

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 provides 24.0 FTE positions in FY2014 and in FY2015, consistent with the enacted level.

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

- The Fire Code Board of Appeal and Review adopts fire safety codes, provides hearings for code appeals, and provides training and technical assistance to local authorities.

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

CAPITAL PROJECTS AND PROPERTY MANAGEMENT

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

Capital Projects and Property Management	General Revenue
FY2014 Enacted	\$1,240,545
<i>Target and Other Adjustments</i>	<i>12,330</i>
FY2015 Enacted	\$1,252,875

CENTRAL MANAGEMENT

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

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

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

Central Management	General Revenue
FY2014 Enacted	\$2,922,038
<i>Target and Other Adjustments</i>	<i>35,926</i>
Turnover	(405,000)
38 Studios Debt Service Market Analysis	(50,000)
FY2015 Enacted	\$2,502,964

Turnover **(\$405,000)**

The Budget decreases general revenue by \$405,000 based on anticipated turnover savings for the Program.

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

The FY2014 Budget as Enacted included \$50,000 in general revenue to conduct a market analysis regarding potential credit and reputational impacts to the State if it were to default on the \$75.0 million 38 Studios moral obligation debt. The reduction reflects the one-time appropriation of funds to conduct the analysis, of which further funding is not required in FY2015.

DEBT SERVICE

The Debt Service Payments program reflects funding for expenditures for both long- and short-term tax supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, RI Commerce Corporation (also referred to as Commerce RI, and formerly the Rhode Island Economic Development Corporation), or other obligations that are part of the State's net tax supported debt. There are no FTE positions associated with the Debt Service program.

Debt Service	General Revenue
FY2014 Enacted	\$157,387,801
<i>Target and Other Adjustments</i>	
38 Studios Debt Service	(237,425)
Historic Structures Tax Credit	9,835,000
General Obligation Bonds	8,341,100
I-195 Land Purchase	(6,718,852)
Certificates of Participation (COPs)	(652,000)
FY2015 Enacted	99,407
	\$168,055,031

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

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

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

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

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

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

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

The Budget Office assumes that \$202.0 million remains to be issued of these bonds, of which \$150.0 million will be issued in FY2014, at an interest rate of 4.5 percent and amortized over 9-years. The Budget increases the debt service payment appropriation \$8.3 million for the full principal and interest on the total \$150.0 million previously scheduled issuance. Due to the timing of the issuance occurring in the spring of FY2014, no interest or principal is required in FY2014, and that the full interest (\$3.4 million) and principal (\$6.9 million) will be due in FY2015.

General Obligation Bonds

(\$6.7 million)

The Budget includes \$63.5 million for general obligation bond debt service in FY2015. This reflects a net decrease of \$6.7 million from the \$70.3 million appropriated in the FY2014 Budget as Enacted. Two of the more significant debt service items include the \$9.3 million shift in Department of Transportation in debt service costs from general revenue funds under the Department of Administration budget to restricted receipts under the Highway Maintenance Account. There is also an increase of \$2.6 million in debt service related to the Clean Water Finance Agency bond issuance.

I-195 Land Purchase

(\$652,000)

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

Certificates of Participation (COPs)

\$99,407

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

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

OFFICE OF ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive, integrated, development, administration and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership. The Budget provides 10.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

Office of Energy Resources	Other Fund Changes
ARRA - State Energy Plan	(5,148,625)
Exxon Interest Earnings Correction	(50,000)

ARRA - State Energy Plan (federal funds) (\$5.1 million)

The FY2015 Budget as Enacted reflects a \$5.1 million decrease in federal funds as a result of the ARRA State Energy Plan award ending in FY2014 and no further appropriation into FY2015.

Exxon Interest Earnings Correction (restricted receipts) (\$50,000)

The Budget decreases restricted receipts by \$50,000 to correct an erroneous posting of Exxon Interest Earnings to the State Energy Plan. The mistake was discovered during the close-out of the State Energy Plan grant. This action shifts the \$50,000 posting from FY2015 to FY2014 to reconcile the Exxon Interest Earnings line item.

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 provides 114.5 positions in FY2014 and FY2015.

Facilities Management	General Revenue
FY2014 Enacted	\$32,198,875
<i>Target and Other Adjustments</i>	(65,712)
Capital Center Utilities	(1,113,622)
Operating Expenses Net of Utilities	(228,803)
FY2015 Enacted	\$30,790,738

Capital Center Utilities (\$1.1 million)

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

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

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

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

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

GENERAL

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

General	General Revenue
FY2014 Enacted	\$23,623,489
<i>Target and Other Adjustments</i>	99,565
Commerce RI - Slater Centers of Excellence Fund	(850,000)
Commerce RI - Volvo Ocean Race	775,000
Health Information Exchange	(225,000)
Commerce RI - I-195 Redevelopment District Commission	(200,000)
Library Construction Aid	(169,077)
Community Service Objectives	122,492
FY2015 Enacted	\$23,176,469

Commerce RI – Slater Centers of Excellence **(\$850,000)**

The Budget decreases \$850,000 to the Slater Centers of Excellence in FY2015. Begun in 1997, the State has appropriated \$45.6 million in general revenue to stimulate the growth of new industries in the state. The program was formerly known as the Centers of Excellence program and as the Slater Technology Fund. The Slater Centers of Excellence program funding is a line item appropriation within the Department of Administration and administered through Commerce RI. The Slater Centers of Excellence program design is to support the development of emerging industries with potential for significant long-term growth. Support is provided through four key features;

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

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

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

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

Health Information Exchange **(\$225,000)**

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

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

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

Commerce RI – I-195 Redevelopment Commission **(\$200,000)**

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

Library Construction Aid **(\$169,077)**

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

Community Service Objectives – Commerce RI **\$122,492**

The Budget includes \$723,550 in general revenue to fund sixteen community service grants appropriated within the Department of Administration, but administered by the RI Commerce Corporation. This is an increase of \$122,492 over the FY2014 Budget as Enacted. The increase includes a new \$50,000 grant to the Ocean State Higher Education Economic Development and Administrative Network, an increase of \$55,503 to the Rhode Island Export Center located at Bryant University, an increase of \$66,989 to Urban Ventures, and the elimination of the \$50,000 grant to the Tall Ships program.

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 provides 105.5 FTE positions in FY2014 and 101.5 in FY2015, reflecting the transfer of 4.0 FTE positions to the new Office of Diversity, Equity, and Opportunity.

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

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

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

INFORMATION TECHNOLOGY

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

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

LEGAL SERVICES

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

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

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Budget provides 13.0 FTE positions in FY2014 and FY2015, consistent with the enacted level.

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

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

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

PERSONNEL APPEAL BOARD

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

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

PLANNING

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

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

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

Planning	General Revenue
FY2014 Enacted	\$4,701,094
<i>Target and Other Adjustments</i>	<i>141,684</i>
Housing Shift to Real Estate Conveyance Tax Proceeds	(2,520,000)
State Lead Hazard Reduction	(300,000)
Surveyor Services	(100,000)
FY2015 Enacted	\$1,922,778

Housing – Shift Funding to Real Estate Conveyance Tax Proceeds ***(\$2.5 million)***

The Budget includes a proposal to shift funding for the Housing Resources Commission and the Housing Rental Subsidy within the Division of Planning program, from general revenues to restricted receipts. The result is a reduction of \$2.5 million in general revenues offset by an increase of \$2.8 million in restricted receipt appropriations. The Budget increases 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 dedicates the additional revenue raised by the tax to funding both the Housing Resources Commission and the Housing Rental Subsidy.

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

The Budget decreases general revenue funding for the Housing Resource Commission's State Lead Hazard Reduction grants by \$300,000. Federal funding from the State's Community Development Block Grant (CDBG) program supports housing rehabilitation activities. Households unable to access the State's Lead Hazard Reduction funds may apply for federal funding to assist with lead remediation.

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

The Budget eliminates \$100,000 in general revenue for professional contract surveyor services associated with the Water Resources Board's Water Allocation Plan. The Department intended to use proceeds derived from the proposed Drinking Water Protection and Enhancement general obligation bond. However, authorization for that bond was not included in the FY2015 Budget as Enacted. At present the Department will request use of RICAP funds to cover anticipated surveyor services.

Hurricane Sandy Funds (federal funds) ***\$2.4 million***

In October 2013, the State received additional federal funds as part of the Hurricane Sandy recovery. To date, the State has received \$19.2 million from the federal Housing and Urban Development for the storm recovery. The Budget includes \$2.4 million in federal funds to provide additional resources to assist the State in the storm recovery and to protect the State from future storms.

PURCHASING

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

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

Purchasing	General Revenue
FY2014 Enacted	\$2,689,542
<i>Target and Other Adjustments</i>	<i>233,730</i>
Transfer to Office of Diversity, Equity, and Opportunity	(252,316)
FY2015 Enacted	\$2,670,956

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

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

RHODE ISLAND HEALTH BENEFITS EXCHANGE

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

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

The Budget includes \$23.4 million in federal funds for Rhode Island Health Benefits Exchange for FY2015. This includes \$19.0 million for contracts with vendors such as Deloitte, which is responsible for developing IT systems for the marketplace as well for its financial management, CSG, which is responsible for ensuring that the systems meets design specifications, and Connexions, which is contracted to run a customer service call center.

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

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

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

The Budget transfers 4.0 FTE positions from the Human Resources program and 3.0 FTE positions from Purchasing to the Office.

Office of Diversity, Equity, and Opportunity	General Revenue
FY2014 Enacted	-
<i>Target and Other Adjustments</i>	<i>12,667</i>
Transfers from Human Resources	512,214
Transfer from Purchasing	252,316
FY2015 Enacted	\$777,197

Office of Diversity, Equity, and Opportunity	Other Fund Changes
Disadvantaged Business Enterprise	\$82,284

Transfer from Human Resources ***\$512,214***

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

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

The Budget transfers the functions and existing personnel along with \$252,316 in general revenue from the Minority Business Enterprise office and \$82,284 in federal funds for the Disadvantaged Business Enterprise office from the Purchasing program to the new Office of Diversity, Equity, and Opportunity. The Budget shifts personnel and operating expenses along with 3.0 FTE positions to the new program.

CAPITAL PROJECTS

The Budget includes a total of \$30.2 million in RICAP projects for FY2015, a net decrease of \$9.9 million from the FY2014 Budget as Enacted. Significant project changes include:

- Includes \$2.0 million for critical renovations in the two main towers at the Cranston Street Armory, boarding up windows above the first floor level, and to complete a study to determine the best use of the structure.
- Adds \$150,000 for the McCoy Stadium project to fund additional improvements to the stadium's concourse area.
- Eliminates \$1.4 million for building demolition at the Pastore Center in Cranston. The decrease reflects the Department's assessment on construction costs to demolish several structures at the Pastore Center.
- Includes \$1.4 million for the Veterans' Memorial Auditorium and Office Building project. The added funding is required to cover renovation work delays due to the programs scheduled at the venue as well as higher than originally estimated costs to complete the project. The work includes roof repairs for leakage, electrical, HVAC, and the purchase of a generator.
- Adds \$400,000 in RICAP funds for the Virks Building renovation project. The additional funding is required for architectural and engineering work to prepare specifications for the structure prior to implementing major renovations to the structure.
- \$2.4 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center to provide the required funding for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds.
- \$3.0 million in RICAP funds for continued renovations to the State House.
- \$2.1 million in RICAP funds to demolish buildings at the former Ladd School in Exeter.

Department of Business Regulation

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$1.1	\$1.2	\$1.2	\$0.0	2.0%	\$1.2	\$0.0	3.1%
Banking Regulation	1.5	1.8	1.5	(0.3)	-16.2%	1.6	(0.3)	-15.0%
Securities Regulation	0.9	1.0	0.9	(0.1)	-5.7%	1.0	0.0	1.8%
Insurance Regulation	4.7	5.1	5.0	(0.1)	-2.4%	5.2	0.1	1.2%
Board of Accountancy	0.0	0.1	0.0	(0.1)	-79.4%	0.0	(0.1)	-79.4%
Commercial Licensing, Racing & Athletics	1.0	1.2	1.1	(0.1)	-5.5%	1.2	(0.0)	-3.2%
Boards for Design Professionals	0.3	0.3	0.3	0.0	0.9%	0.3	0.0	2.7%
Office of Health Insurance Commissioner	5.2	2.3	4.5	2.2	94.3%	2.5	0.2	10.4%
Total	\$14.7	\$13.0	\$14.6	\$1.6	12.2%	\$13.0	(\$0.0)	-0.1%
Expenditures by Source								
General Revenue	\$8.6	\$9.2	\$8.7	(\$0.6)	-6.0%	\$9.0	(\$0.2)	-2.5%
Federal Funds	4.7	1.7	4.0	2.2	126.5%	2.0	0.3	15.7%
Restricted Receipts	1.4	2.0	1.9	(0.1)	-3.4%	1.9	(0.1)	-2.8%
Total	\$14.7	\$13.0	\$14.6	\$1.6	12.2%	\$13.0	(\$0.0)	-0.1%
Authorized FTE Levels	94.0	94.0	94.0	-	-	94.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

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

CENTRAL MANAGEMENT

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

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

BANKING REGULATION

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

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

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

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

SECURITIES REGULATION

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

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

Personnel **\$43,253**

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

INSURANCE REGULATION

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

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

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

BOARD OF ACCOUNTANCY

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

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

Licensing Aide Position (\$64,380)

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

COMMERCIAL LICENSING, RACING AND ATHLETICS

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

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

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

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

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

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

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

DESIGN PROFESSIONALS

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

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

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

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

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

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance and financial and market condition examinations. The 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 both FY2014 and FY2015 for the Office, an increase of 4.0 FTE positions from the Budget as Enacted.

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

<i>Target and Other Adjustments</i>	<i>(35,038)</i>
FY2015 Enacted	\$507,142

Office of Health Insurance Commissioner	Other Fund Changes
Rate Review Cycle III Grant	\$1,092,131

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

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

Department of Labor and Training

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$0.6	\$1.2	\$1.8	\$0.6	50.0%	\$2.4	\$1.2	100.0%
Income Support	613.2	545.5	529.9	(15.6)	-2.9%	462.3	(83.2)	-15.3%
Injured Workers Services	8.0	9.1	8.9	(0.2)	-2.2%	9.0	(0.1)	-1.1%
Labor Relations Board	0.4	0.4	0.4	-	0.0%	0.4	-	0.0%
Workforce Development Services	26.6	33.3	43.2	9.9	29.7%	34.8	1.5	4.5%
Workforce Regulation and Safety	3.0	3.0	3.0	-	0.0%	2.7	(0.3)	-10.0%
Total	\$651.8	\$592.5	\$587.2	(\$5.3)	-0.9%	\$511.6	(\$80.9)	-13.7%
Expenditures by Source								
General Revenue	\$7.7	\$9.1	\$8.5	(\$0.6)	-6.6%	\$8.7	(\$0.4)	-4.4%
Federal Funds	151.0	95.7	99.1	3.4	3.6%	42.2	(53.5)	-55.9%
Restricted Receipts	36.7	43.1	55.3	12.2	28.3%	41.5	(1.6)	-3.7%
Other Funds	456.4	444.6	424.3	(20.3)	-4.6%	419.2	(25.4)	-5.7%
Total	\$651.8	\$592.5	\$587.2	(\$5.3)	-0.9%	\$511.6	(\$80.9)	-13.7%
Authorized FTE Levels	423.0	392.0	410.0	18.0	4.6%	410.0	18.0	4.6%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Rhode Island Unemployment Trust Fund has been insolvent since March 2009 as Unemployment Insurance (UI) benefit payments outpaced employer UI contributions. Title XII of the Social Security Act allows states to borrow from the Federal Unemployment Account (FUA) in the event of insufficient State Unemployment Trust Fund reserves, and Rhode Island had to borrow \$875.5 million to provide UI benefit payment. The outstanding principal balance of the Federal Unemployment Account (FUA) borrowing is \$45.5 million as of June 24, 2014, down \$68.2 million from the balance stated on January 3, 2014. The Department projects that the loan will be paid in full by November 10, 2014.

Article 11 in the FY2015 Budget clarifies that upon the full repayment of any outstanding principal and/or interest due on Title XII advances from the federal government or beginning in tax year 2015, 0.02 percentage points of the Job Development Assessment (JDA) paid by employers will continue to be used to support core service expenses in the Unemployment Insurance and Employment Services programs at the Rhode Island Department of Labor and Training (DLT) and that the overall assessment will decrease to 0.21 percent. DLT currently levies a temporary assessment increase of 0.30 percent of employee wages for use to pay the outstanding principal and interest due on the federal funds borrowed to pay unemployment insurance. The article maintains current law requiring any remaining funds be deposited into the State's Employment Trust Fund, which is then limited solely to benefit payments under federal law.

The Governor and Director of Administration are authorized to borrow funds from the State General Fund to pay unemployment insurance benefits to avoid future borrowings from the federal government in the

event that the State's Employment Security Fund does not possess sufficient funds. Any borrowings from the State General Fund must be repaid in the same fiscal year.

Lastly, this article creates a statute prohibiting municipalities from establishing or mandating an employer to pay a minimum wage to its employees other than the state or federal mandated minimum wage, or apply a state or federal minimum wage law to wages statutorily exempt from a state or federal minimum wage requirement.

Since 2009, the General Assembly has monitored the Department's processing of claimant queries and unemployment insurance benefits in a timely manner. On January 20, 2009, the Department had in excess of 10,000 internet filed claims, 1,800 individuals awaiting a return telephone call, almost 1,700 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time exceeding 75 minutes. As of June 18, 2014, the Department had 191 pending internet filed claims, a sharp decrease from the 2,607 claims stated on February 14, 2014; 110 emails requiring a response to individuals requesting assistance or information, another sharp decrease from the 6,588 claims stated on February 14, 2014; and an average telephone wait time of 23 minutes.

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

CENTRAL MANAGEMENT

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

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

INCOME SUPPORT

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

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

Income Support	Other Fund Changes
Employment Security Trust Funds - Assistance and Grants	(\$55,614,809)
UI Trust Fund Principal and Interest Payment	(17,500,000)
Employment Security Trust Funds - Assistance and Grants	(8,209,000)

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

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

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

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

Employment Security Trust Fund – Assistance and Grants (other funds) (\$8.2 million)

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

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 provides 41.1 FTE positions in FY2014 and 42.1 FTE positions in FY2015, reflecting the hiring of a Medical Records Technician.

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

Contracted Professional Services (restricted receipts) (\$177,496)

The Budget decreases restricted receipts by \$177,496 for contracted purchased services reflecting a decrease of \$130,599 for information technology programming services due to lower maintenance costs associated with implementing the new Workers' Compensation System, a decrease of \$34,084 for medical services due to projected decrease in client caseload, and a net decrease of \$12,813 in other contract service adjustments.

Personnel (restricted receipts) \$162,153

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

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

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

LABOR RELATIONS BOARD

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

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

WORKFORCE DEVELOPMENT SERVICES

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

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

Workforce Development Services	General Revenue
FY2014 Enacted	\$1,250,000
<i>Target and Other Adjustments</i>	<i>(\$1,231)</i>
Turnover	(100,000)
FY2015 Enacted	\$1,148,769

Workforce Development Services	Other Fund Changes
Workforce Assistance Grants	1,217,837
Governor's Workforce Board	1,290,000
Workforce Innovation Fund	75,000

Turnover (\$100,000)

The Budget decreases \$100,000 in general revenue based on anticipated turnover savings for the Department.

Workforce Assistance Grants (federal funds) \$1.2 million

The Budget increases Workforce Development Services assistance and grants by \$1.2 million, reflecting multiple changes across many of the federally funded training programs such as the Dislocated Workers

Program, Hurricane Sandy workforce training funds, and other programs under the federal Workforce Investment Act (WIA).

Job Development Funds - Indirect Cost Recovery (restricted receipts) \$1.3 million

RIGL 35-4-27 is amended to exempt funds collected for the Job Development Fund from the 10.0 percent Indirect Cost Recovery assessed to restricted receipt accounts. The Job Development Fund is projected to receive \$12.9 million in revenue for FY2015. Exempting this fund from the Indirect Cost Recovery will increase the availability of \$1.3 million in restricted receipts for expenditures by the Governor's Workforce Board/Human Resource Investment Council in FY2015.

Workforce Innovation Fund (other funds) \$75,000

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

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Budget provides 27.6 FTE positions FY2014 and 25.3 FTE positions in FY2015.

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

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

CAPITAL PROJECTS

The Budget includes a total of \$6.8 million in capital projects between FY2014 and FY2018, funded with RICAP funds. The projects include:

- \$1.3 million (\$505,996 in RICAP funds) in FY2015 to complete the replacement of slate roofs on buildings 68, 69, and 71, housing both the Department of Labor and Training and the Department of Business Regulation.
- \$5.5 million in RICAP funds for the Center General Asset Protection plan. The plan is comprised of 13 projects that address deficiencies throughout buildings housing both the Department of Labor and Training and the Department of Business Regulation. Projects include design and engineering work involving the roof on building 72 and work to address water penetration through the buildings' foundations. The Governor again recommends a "lump sum" appropriation for each year, allowing the Department to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Director of Revenue	\$0.9	\$1.2	\$1.1	(\$0.2)	-13.2%	\$1.1	(\$0.1)	-8.2%
Lottery Division	249.2	245.5	335.1	89.6	36.5%	342.3	96.9	39.5%
Municipal Finance	2.2	2.4	1.9	(0.5)	-19.2%	2.3	(0.1)	-4.0%
Office of Revenue Analysis	0.5	0.5	0.5	(0.0)	-1.6%	0.6	0.0	6.7%
Division of Motor Vehicles	18.3	20.8	19.1	(1.7)	-8.2%	24.8	4.0	19.2%
State Aid	57.2	61.9	61.8	(0.1)	-0.2%	67.0	5.1	8.2%
Taxation	20.5	21.1	20.5	(0.6)	-2.7%	22.1	1.0	4.7%
Total	\$348.7	\$353.4	\$440.1	\$86.6	24.5%	\$460.2	\$106.8	30.2%
Expenditures by Source								
General Revenue	\$94.8	\$102.0	\$100.1	(\$2.0)	-1.9%	\$107.8	\$5.8	5.7%
Federal Funds	2.0	3.0	1.8	(1.2)	-39.4%	5.1	2.1	67.7%
Restricted Receipts	1.7	1.8	1.8	(0.0)	-1.4%	4.0	2.2	119.6%
Other Funds	250.3	246.6	336.4	89.8	36.4%	343.3	96.7	39.2%
Total	\$348.7	\$353.4	\$440.1	\$86.6	24.5%	\$460.2	\$106.8	30.2%
Authorized FTE Levels	489.0	492.0	492.0	-	-	505.0	13.0	2.6%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget increases general revenue expenditures to \$107.8 million, an increase of \$5.8 million over the FY2014 Budget as Enacted, primarily due to an additional \$5.0 million from the issuance of Tobacco Settlement Financing Bond Proceeds. The additional funding is one-time revenue to boost the Payment in Lieu of Taxes (PILOT) program in FY2015 and does not increase ongoing PILOT reimbursements. An increase of \$96.7 million in other funds is due to increases in Lottery commissions and prize payments. The FY2014 Budget as Enacted did not include commissions and prize expenditures for Casino Operations, which are estimated to be \$72.1 million for FY2015. The Division of Lottery began table gaming at the Twin River Casino in June 2013.

The Budget adds 13.0 FTE positions within the Division of Taxation. The Budget increases general revenue funding by \$500,000 to implement Combined Reporting in the Division of Taxation, including 7.0 FTE positions, training expenses, and Multi-State Tax Commission membership fee. An increase of \$733,010 in general revenue will support 6.0 FTE new Revenue Officer 1 positions to support the Division's expanded enforcement activities. Each of these positions will generate approximately \$900,000 per year in collections from personal income taxes, business taxes, sales and excise taxes, and fines and penalties.

The Budget also continues to fund \$5.0 million for the Municipal Incentive Aid program in FY2015, which provides additional state aid to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. In FY2014, \$5.0 million was allocated to the program for the first year of the initiative. The program is managed by the Division of Municipal Finance within the Department of Revenue.

DIRECTOR OF REVENUE

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

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

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

LOTTERY DIVISION

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

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

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

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

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

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

DIVISION OF MUNICIPAL FINANCE

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

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

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

Municipal Finance	General Revenue
FY2014 Enacted	\$2,351,173
<i>Target and Other Adjustments</i>	<i>(227,721)</i>
Fire Districts Included in Fiscal Stability Act	260,000
Actuarial Contract Services	(200,000)
Legal Services - Distressed Communities	(150,000)
Reimbursement for State Oversight	130,540
Blue Book Publication	3,000
FY2015 Enacted	\$2,256,992

Fire Districts Included in Fiscal Stability Act* **\$260,000*

Legislation passed by the General Assembly includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State. The Budget includes \$260,000 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for salary and benefit costs associated with the implementation of this Act.

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

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

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

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

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

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

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

Every odd fiscal year, the Division of Municipal Finance publishes the "Blue Book" that serves as a print directory of all names, functions, and contact information by municipality at a cost of \$3,000. The

FY2015 Budget includes funding for this year's publication; however, all of this information is available online and the Governor suggested eliminating this in future years.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis analyzes the State's tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State's sales tax and personal income tax models. The Budget includes 4.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

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

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

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

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some license and registration DMV services at select branch locations. The Budget includes 169.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 vacant FTE position from the FY2014 Budget as Enacted.

Division of Motor Vehicles	General Revenue
FY2014 Enacted	\$18,895,421
<i>Target and Other Adjustments</i>	
Shared Printing Services	(68,336)
FY2015 Enacted	\$18,826,844

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

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

STATE AID

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

State Aid	General Revenue
FY2014 Enacted	\$60,981,482
<i>Target and Other Adjustments</i>	
PILOT from Tobacco Bonds	5,000,000
Property Revaluation Program	116,594
Municipal Incentive Aid	Informational
FY2015 Enacted	\$66,098,076

PILOT from Tobacco Bonds**\$5.0 million**

The Budget increases general revenue by \$5.0 million to fund a one-time Payment In Lieu of Taxes (PILOT) increase. These funds were made available through the issuance of Tobacco Settlement Financing Corporation Bonds.

Current law requires reimbursement of 27.0 percent of the tax revenue the municipality would have collected had the property been taxable, but it also allows for a ratable reduction if the appropriation is less than this amount. The Governor's budget provided for reimbursement of 22.27 percent of forgone tax revenue. The General Assembly's budget increases the reimbursement to 25.44 percent.

The additional funding is one-time revenue to boost the program in FY2015 and does not increase ongoing PILOT reimbursements.

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

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

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

Municipal Incentive Aid**Informational**

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

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

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through

audits and liens. The Budget includes funding for 208.0 FTE positions in FY2014 and 215.0 FTE positions in FY2015, an increase of 14.0 FTE positions from the Budget as Enacted.

Taxation	General Revenue
FY2014 Enacted	\$18,027,851
<hr/>	
<i>Target and Other Adjustments</i>	<i>(187,867)</i>
Revenue Officer Positions	733,010
Combined Reporting Implementation	500,000
Computer Supplies & Equipment	(142,650)
FY2015 Enacted	\$18,930,344

Revenue Officer Positions **\$733,010**

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

Combined Reporting Implementation **\$500,000**

The Budget increases general revenue funding by \$500,000 to implement Combined Reporting in the Division of Taxation, including 7.0 FTE positions, training expenses, and Multi-State Tax Commission membership fee. Funding anticipates delays in hiring and assumes that positions will not be filled for all of FY2015. Full year funding for these FTE positions and associated costs are estimated to be \$735,000.

Computer Supplies and Equipment **(\$142,650)**

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

Legislature

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Assembly	\$5.2	\$5.3	\$6.5	\$1.2	21.8%	\$5.3	(\$0.0)	-0.2%
Fiscal Advisory Staff	1.5	1.7	1.7	(0.0)	-2.0%	1.7	0.0	1.2%
Legislative Council	4.0	4.5	4.5	(0.1)	-1.3%	4.7	0.2	3.9%
Joint Comm. on Legislative Services	21.6	20.9	22.4	1.5	7.1%	21.0	0.1	0.5%
Auditor General	4.7	5.3	5.2	(0.1)	-2.2%	5.3	(0.1)	-1.0%
Special Legislative Commissions	-	-	-	-	-	-	-	-
Total	\$37.0	\$37.8	\$40.2	\$2.4	6.4%	\$38.0	\$0.2	0.6%
Expenditures by Source								
General Revenue	\$35.7	\$36.2	\$38.7	\$2.5	6.8%	\$36.4	\$0.2	0.7%
Restricted Receipts	1.4	1.6	1.6	-	-2.3%	-	(0.0)	-1.1%
Total	\$37.0	\$37.8	\$40.2	\$2.4	6.4%	\$38.0	\$0.2	0.6%
Authorized FTE Levels	298.5	298.5	298.5	-	-	298.5	-	-

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

Lieutenant Governor

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Lt. Governor's Office	\$1.2	\$2.1	\$2.7	\$0.6	27.7%	\$1.1	(\$1.0)	-48.0%
Expenditures by Source								
General Revenue	\$0.9	\$1.0	\$0.9	(\$0.0)	-4.1%	\$1.0	\$0.0	2.9%
Federal Funds	0.3	1.1	1.6	0.5	43.8%	0.1	(1.0)	-93.3%
Restricted Receipts	0.0	0.0	0.1	0.1	0.0%	0.0	0.0	0.0%
Total	\$1.2	\$2.1	\$2.7	\$0.6	21.7%	\$1.1	(\$1.0)	-48.0%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

\$ in millions

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

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

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

Transition Costs **\$25,000**

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

Office of the Secretary of State

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Administration	\$2.0	\$2.1	\$2.2	\$0.1	6.3%	\$2.2	\$0.1	6.1%
Corporations	2.1	2.2	2.3	0.1	4.9%	2.3	0.1	5.9%
State Archives	0.6	0.6	0.6	0.0	4.5%	0.6	0.0	0.4%
Elections and Civics	1.7	1.2	0.9	(0.3)	-23.6%	1.6	0.5	40.7%
State Library	0.6	0.6	0.5	(0.1)	-15.3%	0.5	(0.1)	-14.7%
Office of Public Information	0.4	0.4	0.5	0.1	38.7%	1.1	0.8	211.8%
Total	\$7.3	\$7.0	\$7.0	\$0.0	0.5%	\$8.4	\$1.4	20.3%
Expenditures by Source								
General Revenue	\$6.8	\$6.5	\$6.4	(\$0.1)	-1.2%	\$7.3	\$0.8	12.9%
Federal Funds	0.0	0.0	0.1	0.1	0.0%	0.0	0.0	0.0%
Restricted Receipts	0.5	0.5	0.5	0.1	14.3%	0.5	0.1	16.4%
Other Funds	0.0	0.0	0.0	0.0	0.0%	0.5	0.5	0.0%
Total	\$7.3	\$7.0	\$7.0	\$0.0	0.5%	\$8.4	\$1.4	20.3%
Authorized FTE Levels	57.0	57.0	57.0	-	-	57.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

ADMINISTRATION

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

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

1.0 FTE Project Manager**\$90,860**

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

Transition Costs**\$25,000**

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

CORPORATIONS

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

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

Personnel**\$123,498**

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

Quick Start Master Permit Application System**Informational**

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

STATE ARCHIVES

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

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

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

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

ELECTIONS AND CIVICS

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

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

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

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

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

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

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

STATE LIBRARY

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

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

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

OFFICE OF PUBLIC INFORMATION

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

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

Office of Public Information	Other Fund Changes
Charter Encasement	\$500,000

Personnel **\$127,050**

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

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

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

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

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

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

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

According to estimates from the Secretary of State, the State House attracts about 10,000 visitors each year. The Office, on average, conducts approximately 400 tours annually. The visitor center serves as a starting point for those tours, with the prospect of a self-guided tour in the future. The Budget includes an additional \$15,000 in restricted receipts to replenish inventory in FY2015 for this program. The Center officially opened on December 5, 2013, and has accrued \$8,482 in receipts through June 18, 2014.

Charter Encasement (Other Fund Changes)

\$500,000

The Budget adds \$500,000 in RICAP for restoration and other work associated with a new encasement of the Rhode Island Charter. The Charter is on display in the State House in a space renovated to serve as the Charter Museum.

RECORDS CENTER

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

Office of the General Treasurer

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Treasury	\$2.7	\$3.0	\$2.9	(\$0.1)	-4.0%	2.7	(0.3)	-10.0%
Employees' Retirement System	6.9	11.7	11.1	(0.6)	-4.8%	10.8	(0.9)	-7.7%
Unclaimed Property	31.2	18.6	22.5	3.9	21.0%	19.7	1.1	5.9%
Crime Victims Compensation Program	1.9	2.1	2.2	0.1	3.9%	\$2.0	(\$0.1)	-4.8%
Total	\$42.7	\$35.4	\$38.7	\$3.3	9.4%	\$35.2	(\$0.2)	-0.6%

Expenditures by Source								
	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$2.5	\$2.7	\$2.6	(\$0.1)	-5.3%	\$2.4	(\$0.3)	-11.1%
Federal Funds	1.0	1.1	0.9	(0.2)	-22.6%	0.9	(0.2)	-18.2%
Restricted Receipts	39.0	31.4	35.1	3.7	11.8%	31.7	0.3	1.0%
Other Funds	0.2	0.2	0.2	0.0	5.1%	0.2	-	-
Total	\$42.7	\$35.4	\$38.7	\$3.3	9.4%	\$35.2	(\$0.2)	-0.6%

Authorized FTE Levels	82.0	83.0	83.0	-	-	83.0	-	-
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\$ 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 FY2015

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

GENERAL TREASURY

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

General Treasury	General Revenue
FY2014 Enacted	\$2,471,194
<i>Target and Other Adjustments</i>	<i>(25,527)</i>
Bond and Bank Fees	(111,150)
Turnover	(100,000)
Legal and Financial Services	(28,050)
FY2015 Enacted	\$2,206,467

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

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

Turnover**(\$100,000)**

The Budget decreases \$100,000 in general revenue based on anticipated turnover savings for the Department.

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

The FY2014 Budget as Enacted included \$25,000 for financial services and \$28,400 for special legal services regarding litigation associated with the recent pension reform. The Budget anticipates that the litigation costs associated with the recent legislative changes to the state retirement system should be lower in FY2015 and includes \$14,500 for legal service costs. In addition, the State and Treasury recently renewed the Financial Advisor contract in May. The Budget Office projects that a new financial services contract will possess lower fees. The Budget decreases legal expenses by \$13,900 and decreases financial services by \$10,000. Other adjustments include a decrease of \$3,000 for actuarial services and a decrease of \$1,150 other financial and temporary services.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

The Budget adds \$2.4 million for information technology consultant services for an upgrade of the current Anchor computer system to a new system. The FY2014 Budget as Enacted includes a \$3.0 million restricted receipt capital expenditure to replace the 10-year-old state retirement computer system. The current system's software is outdated and was designed to address only periodic changes to pension law. In addition, the current system lacks updated personal information security safeguards. All costs associated in implementing the new computer system will be drawn from the Retirement Trust Fund.

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

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

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

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

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

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

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

UNCLAIMED PROPERTY

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

Unclaimed Property	Other Fund Changes
FY2014 Enacted	\$18,559,092
<i>Target and Other Adjustments</i>	<i>65,841</i>
November 2013 Revenue Estimating Conference Adjustments	899,298
May 2014 Revenue Estimating Conference Adjustments	187,966
FY2015 Enacted	\$19,712,197

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

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

May 2014 Revenue Estimating Conference Adjustment (restricted receipts) \$187,966

The Budget adds \$187,966 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 2014 Revenue Estimating Conference.

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 includes 4.2 FTE positions in FY2014 and 4.3 FTE positions in FY2015, reflecting a change in the internal FTE cost allocation among Treasury programs.

Crime Victims Compensation	General Revenue
FY2014 Enacted	\$183,498

<i>Target and Other Adjustments</i>	6,825
Crime Victims - Personnel	35,315
FY2015 Enacted	\$225,638

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

Personnel **\$35,315**

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

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

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

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

Board of Elections

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

General Election Adjustments **\$2.3 million**

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

Voting Booths **\$61,250**

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

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

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

CAPITAL PROJECTS

The FY2015 Enacted Capital Plan eliminates the \$1.3 million RICAP funding for renovations for a new roof, HVAC repairs, new carpeting, and bathroom upgrades at the Board of Elections headquarters at 50 Branch Avenue in Providence, due to ongoing discussions within the Department of Administration as to whether to renovate the Board's current structure or relocate the Board.

Ethics Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
RI Ethics Commission	\$1,500,568	\$1,577,204	\$1,575,940	(\$1,264)	-0.1%	\$1,581,205	\$4,001	0.3%

Expenditures by Source								
General Revenue	\$1,500,568	\$1,577,204	\$1,575,940	(\$1,264)	-0.1%	\$1,581,205	\$4,001	0.3%
Authorized FTE Levels	12.0	12.0	12.0	-	0.0%	12.0	-	0.0%

Totals may vary due to rounding.

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

Office of the Governor

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Central Management	\$4.0	\$4.4	\$4.1	(\$0.3)	-7.0%	\$4.5	\$0.1	1.9%
Expenditures by Source								
General Revenue	\$4.0	\$4.4	\$4.1	(\$0.3)	-7.0%	\$4.5	\$0.1	1.9%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

In FY2015, the budget for the Office of the Governor is \$4.5 million, all general revenues. The Budget includes 45.0 FTE positions in both FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Office of the Governor	General Revenue
FY2014 Enacted	\$4,443,513
<i>Target and Other Adjustments</i>	<i>79,049</i>
Transition Account	130,000
Turnover	(100,000)
Federal Liaison	(25,000)
FY2015 Enacted	\$4,527,562

Transition Account **\$130,000**

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

Turnover **(\$100,000)**

The Budget reduces general revenue funding by \$100,000 for savings from expected vacant positions in the Office.

Federal Liaison **(\$25,000)**

The Budget removes \$25,000 for a contract to provide federal government liaison services to the Governor.

Rhode Island Commission for Human Rights

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted	
Commission for Human Rights	\$1.4	\$1.4	\$1.4	-	\$1.4	(\$0.0)	0.0%
Expenditures by Source							
General Revenue	\$1.1	\$1.1	\$1.1	-	\$1.2	\$0.1	9.1%
Federal Funds	0.3	0.3	0.3	-	0.2	(0.1)	(0)
Total	\$1.4	\$1.4	\$1.4	-	\$1.4	(\$0.0)	0.0%
Authorized FTE Levels	14.5	14.5	14.5	-	14.5	-	-

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

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

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

Public Utilities Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Public Utilities Commission	\$7.1	\$8.4	\$8.5	\$0.1	1.2%	\$8.4	\$0.0	0.0%
Expenditures by Source								
Federal Funds	\$0.3	\$0.2	\$0.2	-	-	\$0.1	(\$0.1)	-50.0%
Restricted Receipts	6.8	8.2	8.3	0.1	1.2%	8.3	0.1	1.2%
Total	\$7.1	\$8.4	\$8.5	\$0.1	1.2%	\$8.4	\$0.0	0.0%
Authorized FTE Levels	46.0	49.0	49.0	-	-	50.0	1.0	2.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes a total operating budget of \$8.4 million, including \$8.3 million in restricted receipts and \$87,733 in federal funds. The agency does not receive any general revenue funding. The Budget as Enacted represents an increase of \$118,678 (1.4 percent) over the FY2014 Budget as Enacted. The Budget maintains a staffing level of 49.0 FTE positions in FY2014 and includes 50.0 FTE positions in FY2015 for this agency, an increase of 1.0 FTE position over the FY2014 Budget as Enacted.

Programming Services Officer Position (restricted receipts)

\$99,727

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

Office of Health and Human Services

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$99.8	\$117.3	\$128.4	\$11.1	9.5%	\$125.9	\$8.6	7.3%
Medical Assistance	1,564.7	1,750.7	1,852.3	101.7	5.8%	2,265.5	514.9	29.4%
Total	\$1,664.4	\$1,867.9	\$1,980.7	\$112.8	6.0%	\$2,391.4	\$523.5	28.0%
Expenditures by Source								
General Revenue	\$772.3	\$843.2	\$848.4	\$5.1	0.6%	\$904.6	\$61.4	7.3%
Federal Funds	880.9	1,014.7	1,119.8	105.1	10.4%	1,470.9	456.2	45.0%
Restricted Receipts	11.2	10.0	12.6	2.6	25.6%	15.9	5.9	59.1%
Total	\$1,664.4	\$1,867.9	\$1,980.7	\$112.8	6.0%	\$2,391.4	\$523.5	28.0%
Authorized FTE Levels	169.0	184.0	184.0	-	0.0%	184.0	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget increases the all funds appropriation for Medical Assistance by \$514.9 million or 29.4 percent over the FY2014 level. Consistent with national health care reform and the Patient Protection and Affordable Care Act (ACA) reforms that began on January 1, 2014, all Rhode Island adults with income up to 138 percent of the federal poverty level (FPL), regardless of family situation, are eligible for Medicaid. FY2015 represents the first full fiscal year of this expanded eligibility, which is financed entirely by the federal government. As a result, federal funding of the Medicaid program increases 45.0 percent with \$492.4 million included for this newly eligible population.

Medicaid costs climbed relative to FY2014 levels also due to increased enrollment by those previously eligible. Unlike those newly eligible, for which the federal government provides 100 percent participation, healthcare for those previously eligible are financed with 50.0 percent general revenue.

While the Budget includes funding for expanded enrollment in FY2015, it also reduces payments to Medicaid partners, including hospitals, nursing homes, and managed care organizations. The Budget includes savings from program improvements that will improve efficiencies and increase federal matching funds. Despite including \$34.1 million in savings, the Budget does not reduce Medicaid benefits or eligibility.

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

Though the Budget as Enacted does not include the Governor's proposed income-based monthly cost sharing for families with children with special healthcare needs eligible for Medicaid through the Katie Beckett option, Article 18 directs OHHS to collect annual tax and other financial information from families that qualify for Medicaid through the non-means tested Katie Beckett option.

The Budget as Enacted authorizes a staff of 184.0 FTE positions, consistent with the FY2014 enacted level.

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 authorizes 184.0 FTE positions for FY2015, consistent with the enacted level.

Central Management	General Revenue
FY2014 Enacted	\$27,699,190
<i>Target and Other Adjustments</i>	<i>(350,624)</i>
Unified Health Infrastructure Project (UHIP)	2,100,419
HIV/AIDS Program Cost Shift	(704,831)
Cost Allocation Plan	(450,000)
Turnover	(250,000)
FY2015 Enacted	\$28,044,154

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

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

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

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

HIV/AIDS Program Cost Shift**(\$704,831)**

The Budget shifts costs for the care and treatment of those with HIV/AIDS from general revenue to the Ryan White HIV Care federal grant and federal HIV drug rebate account. Funds in these programs have been freed up by the enrollment of previous Ryan White participants into the fully-federally funded Medicaid expansion.

Cost Allocation Plan**(\$450,000)**

The Budget as Enacted includes \$450,000 in general revenue savings through the implementation of a new cost allocation plan that will maximize the recoveries of indirect costs allowable under the Medicaid program. Anticipated savings of \$500,000 are achieved through the establishment of a unique cost allocation plan for the Office, replacing the current DHS-based cost allocation plan that the Office had been using.

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

Turnover**(\$250,000)**

Based upon personnel vacancies in FY2014, the Budget includes \$250,000 in turnover savings for FY2015.

MEDICAL ASSISTANCE

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

Medical Assistance	General Revenue
FY2014 Enacted	\$815,528,460
Caseload Estimating Conference with Redetermination Adjustment	55,748,747
Behavioral Health Medicaid Programs Transfer from BHDDH	30,053,186
Reduce Managed Care Capitation Rate	(10,840,000)
Hospital Uncompensated Care and UPL Payments	9,356,451
Reduce Health Care Utilization of High Utilizers	(8,150,627)
Improve Program Management	(5,049,997)
Eliminate Hospital Rate Increase	(3,948,678)
Community First Choice Program 1915(k) Option	(3,047,801)
Delay Nursing Home Rate Increase	(2,423,565)
Hospital Graduate Medical Education Program	1,000,000
Qualified Health Plan Coverage for Pregnant/Postpartum Women, 133-250% FPL	(599,967)
Connect Care Choice Community Partners - Health Home	(536,700)
Electronic Visit Verification	(500,000)
FY2015 Enacted	\$876,589,509

Caseload Estimating Conference with Redetermination Adjustment**\$55.7 million**

The May 2014 Caseload Estimating Conference (CEC) adopted medical assistance expenditures for FY2015 of \$887.6 million in general revenue (\$2.3 billion all funds). General revenue expenditures are expected to be \$26.3 million more than previously adopted levels primarily due to increased enrollment associated with the marketing and outreach efforts of the State's health benefits exchange, HealthSource RI and to fewer than anticipated RItE Care parents being removed from the program upon the reduction in the program's income eligibility criteria.

Enrollment has also increased sharply due to the suspension of annual Medicaid eligibility re-determinations, which has historically provided program integrity by verifying continued program eligibility.

Federal funds increase by \$208.0 million, primarily due to higher than anticipated enrollment by those newly eligible for Medicaid under the Affordable Care Act.

May 2014 CEC - Medical Assistance	FY2014 Enacted	FY2015 Adopted	Change from Enacted	
General Revenue	\$861.3	\$887.6	\$26.3	3.0%
Federal Funds	1,155.5	1,363.5	208.0	18.0%
Restricted Receipts	8.5	10.6	2.1	24.7%
Total	\$2,025.3	\$2,261.7	\$236.4	11.7%

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

Early Resumption of Re-determinations: The Conference adopted expenditures based upon the Office’s original plan to suspend Medicaid eligibility re-determination for all of CY2014 while its eligibility processes are fully migrated to the newly-created Unified Health Infrastructure Project (UHIP), the Office now plans to restart re-determinations on August 1, 2014.

The earlier resumption of re-determinations is estimated to result in \$14.7 million general revenue savings (\$29.5 million all funds) from the FY2015 estimate adopted at the May 2014 Caseload Estimating Conference. Resumption of annual Medicaid eligibility verification is assumed to increase program integrity, reduce program enrollment, and lower program costs in both FY2015 and FY2016.

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

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

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

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

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

Behavioral Health Medicaid Program – Transfer from BHDDH ***\$30.1 million***

In keeping with the Office’s role as the single state agency for Medicaid, the Budget as Enacted transfers Medicaid-funded behavioral health and substance abuse programs from the Department of Behavioral Health, Developmental Disabilities and Hospitals to the Rhody Health Partners managed care program at OHHS. This will allow for better coordination of primary, acute and behavioral healthcare.

This appropriation is consistent with projected FY2014 program expenditures but reduced by \$10.0 million from the Governor’s proposed budget which included a 5.0 percent reduction in the rates paid to behavioral health providers for health home services.

Reduce Managed Care Capitation Rate ***(\$10.8 million)***

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

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

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

Hospital Uncompensated Care and UPL Payments

\$9.4 million

The Budget as Enacted includes \$160.9 million in support to both public and community hospitals through the Medicaid Disproportionate Share Hospital (DSH) and the Upper Payment Limit (UPL) programs. Payments made in FY2015 represent an increase of \$9.4 million from the FY2014 Enacted level. The State has historically made annual Disproportionate Share Hospital (DSH) and outpatient UPL payments to hospitals each year. The FY2014 Budget made the UPL outpatient payment a statutory requirement.

These payments will be made to hospitals as follows:

Hospital	DSH Payment	Inpatient UPL Payment	Outpatient UPL Payment	Total Payments
Butler	8,828	-	-	8,828
Kent	11,206,506	748,296	1,049,237	13,004,039
Memorial	11,729,575	472,796	1,212,449	13,414,820
Women and Infants	17,910,253	4,215,400	1,304,012	23,429,665
Care New England	\$40,855,162	\$5,436,492	\$3,565,698	\$49,857,352
Bradley	80,093	-	-	80,093
Miriam	9,904,560	683,805	1,246,508	11,834,873
Newport	4,576,028	229,477	443,598	5,249,103
Rhode Island Hospital	57,794,255	3,450,048	4,394,484	65,638,787
Lifespan	\$72,354,937	\$4,363,330	\$6,084,590	\$82,802,857
Roger Williams	6,645,068	184,011	619,360	7,448,439
St. Joseph	7,980,457	238,693	590,212	8,809,362
CharterCARE	\$14,625,525	\$422,704	\$1,209,572	\$16,257,801
Landmark	3,716,768	495,601	571,474	4,783,843
South County	2,989,825	55,125	197,991	3,242,941
Westerly	2,227,206	27,137	142,281	2,396,624
Rehab	-	29,323	30,031	59,354
Other	\$8,933,799	\$607,186	\$941,777	\$10,482,762
Eleanor Slater	1,548,841	-	-	1,548,841
Total	\$138,318,263	\$10,829,712	\$11,801,637	\$160,949,612
<i>General revenue</i>	<i>69,006,981</i>	<i>5,411,607</i>	<i>5,897,278</i>	<i>80,315,867</i>

- **Upper Payment Limit (UPL):** The Budget as Enacted includes UPL payments totaling \$22.6 million as part of the Medicaid program that allows additional payments to hospitals that provide care to Medicaid individuals. This additional payment makes up for the Medicaid shortfall between the cost of caring for Medicaid patients and the amount hospitals were paid for such care.

While the State has traditionally made a UPL payment to hospitals to make up for the Medicaid shortfall for outpatient services, this Budget also makes an UPL payment for inpatient services. The Medicaid shortfall for inpatient services is the result of the freeze of hospital rates that was included

in the FY2013 Budget, which increased the gap between hospital costs and Medicaid payments for services delivered in that fiscal year and created a new pool of uncompensated care.

- **Disproportionate Share Hospital (DSH):** The Budget as Enacted increases support to community hospitals by \$3.6 million (\$7.2 million all funds) in FY2015. As part of the Disproportionate Share Hospital (DSH) program which makes payments to hospitals that provide care to uninsured and Medicaid individuals, the Budget provides a total of \$138.3 million to the State's hospitals through the DSH program.

The general revenue portion of this payment is largely raised through a licensing fee levied on hospitals. The FY2015 Budget as Enacted includes a licensing fee of 5.703 percent levied on 2013 hospital revenues generating \$159.3 million in State general revenue.

Reduce Health Care Utilization of High Utilizers

(\$8.2 million)

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

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

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

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

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

Improve Program Management

(\$5.0 million)

The Budget as Enacted includes a range of initiatives that would improve business processes, ensure program integrity, and enhance benefits management:

- **Improve Pharmacy Benefit Management:** This initiative increases pharmacy rebates from manufacturers by \$2.5 million. A formal process will be established for claiming rebates for pharmaceuticals administered in physicians' offices and billed through managed care organizations. Currently, rebates for these "J-Code" pharmaceuticals are claimed only for those billed directly through providers.
- **Improve Eligibility Processes:** Utilizing existing personnel resources, the Office will review claims paid to out-of-state providers in non-contiguous states in order to verify residence of recipient. Benefits to non-residents would be terminated. The Office will also review its process for determining financial eligibility for long-term care services and for Medicaid-funded Medicare premium support to ensure policies are uniformly implemented and eligibility is properly determined. These enhanced reviews are estimated to save \$500,000.

- **Review Pricing of Durable Medical Equipment:** Pricing of durable medical equipment, specifically incontinence supplies, would be reviewed in order to ensure that the Medicaid program pays the lowest price on a statewide basis, saving an estimated \$1.0 million.
- **Review Utilization of Imaging Services:** This initiative expands the requirement for prior authorization of Medicaid radiology imaging services to include those performed in an inpatient or emergency room setting. In this way, services would be performed in the least costly setting, saving \$1.0 million.

Eliminate Hospital Rate Increase

(\$3.9 million)

The Budget as Enacted suspends the scheduled rate increase for inpatient and outpatient hospital services in FY2015 in both the fee-for-service and managed care environments. Article 18 provides the authority for this suspension.

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

Community First Choice Program 1915(k) Option

(\$3.0 million)

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

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

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

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

Delay Nursing Home Rate Increase

(\$2.4 million)

The Budget as Enacted delays for six months the annual increase in payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals. This adjustment by the change in the national nursing home inflation index was to be made on October 1, 2014, but is delayed until April 1, 2015. The Budget includes general revenue savings of \$3.7 million (\$7.5 million all funds) for this initiative. The FY2014 Budget as Enacted also suspended this adjustment and included savings of \$3.9 million (\$7.8 million all funds).

Of the approximately 28,000 Medicaid-eligible elderly individuals in Rhode Island, 21.0 percent, or approximately 5,000, reside in the State's 84 long-term skilled nursing facilities (nursing homes). Their residential costs are budgeted at \$179.3 million (\$361.4 million all funds) in the FY2014 Budget as

Enacted. Despite efforts through the Global Waiver to rebalance the State’s long-term care system and build community-based supports that will enable people to remain in their homes rather than enter nursing homes, these efforts have been largely unsuccessful.

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

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

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

Graduate Medical Education Program \$1.0 million

The Budget as Enacted includes \$1.0 million in new general revenue funding to establish a Medicaid graduate education program at academic medical centers that meet certain criteria.

The Budget provides \$1.0 million in general revenue funding to support medical education programs at hospitals that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is currently the only hospital that meets these criteria. The Budget does not include federal Medicaid matching funds for this program.

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

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

The Office plans to wrap women’s QHP coverage with complete premium and cost-sharing support. In addition to premium savings, savings are anticipated through fewer Medicaid births and NICU expenses, which average approximately \$75.0 million annually. The Budget includes \$599,967 in general revenue savings (\$1.2 million all funds) from this initiative.

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

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

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

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

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

HIV/AIDS Program Cost Shift

(\$704,831)

The Budget as Enacted shifts costs for the care and treatment of those with HIV/AIDS from general revenue to the Ryan White HIV Care federal grant and federal HIV drug rebate account. Funds in these programs have been freed up by the enrollment of previous Ryan White participants into the fully-federally funded Medicaid expansion.

Electronic Visit Verification

(\$500,000)

The Budget includes \$500,000 in general revenue savings (\$1.0 million all funds) from increased program integrity through the implementation of an electronic visit verification program that will monitor the delivery of Medicaid home based services such as personal care and home maker services. The program will utilize technology to verify point-of-care service delivery by the correct caregiver to the correct patient.

Currently, nearly 3,700 individuals are eligible for Medicaid home and community services that are budgeted at approximately \$82.0 million from all fund sources in FY2014.

Department of Children, Youth, and Families

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$6.8	\$7.1	\$6.9	(\$0.2)	-3.2%	\$6.9	(\$0.2)	-3.1%
Children's Behavioral Health Services	11.6	10.6	14.4	3.7	35.2%	13.0	2.4	22.8%
Juvenile Correctional Services	26.8	27.7	25.1	(2.6)	-9.5%	24.4	(3.3)	-12.0%
Child Welfare	164.5	168.2	170.2	2.0	1.2%	166.1	(2.1)	-1.3%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Total	\$209.9	\$213.9	\$216.7	\$2.8	1.3%	\$210.6	(\$3.2)	-1.5%
Expenditures by Source								
General Revenue	\$150.9	\$153.0	\$152.2	(\$0.8)	-0.5%	\$148.7	(\$4.3)	-2.8%
Federal Funds	56.2	56.7	61.0	4.3	7.6%	56.6	(0.1)	-0.2%
Restricted Receipts	2.4	2.6	2.4	(0.2)	-6.3%	2.4	(0.2)	-6.3%
Other Funds	0.4	1.6	1.1	(0.5)	-33.0%	2.9	1.3	83.1%
Total	\$209.9	\$213.9	\$216.7	\$2.8	1.3%	\$210.6	(\$3.2)	-1.5%
Authorized FTE Levels	671.5	670.5	670.5	-	0.0%	670.5	-	0.0%

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

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2014 Budget as Enacted included additional funds to support the expansion of community-based services through the two lead networks of the Department's System of Care, bringing total network funding to \$74.3 million in all fund sources. However, through a number of savings initiatives, the Budget reduces total System of Care funding to \$70.0 million in all fund sources in FY2015.

These initiatives include cost shifts for the care of some medically-fragile youth to RI Medicaid; the transfer of 10 out-of-state female youth with serious emotional disturbances (SED) to in-state programs; and savings at the Rhode Island Training School (RITS) due to a decline in the number of detained youth. The Governor proposed to transfer 12 youth ages 19 to 21 to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), however, the General Assembly did not concur, and restored funding totaling \$1.5 million from all fund sources in FY2015. It was determined after further consideration of this proposal that the adult system may be incapable of meeting the educational needs of this population.

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

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 funds 41.0 FTE positions in FY2015, a reduction of 4.0 FTE positions from the enacted level to reflect actual filled positions, and includes personnel savings based on turnover as projected by the State Budget Office.

Central Management	General Revenue
FY2014 Enacted	\$4,911,020
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<i>Target and Other Adjustments</i>	<i>(301,870)</i>
RIC Social Worker Training	Informational
National Accreditation	Informational
FY2015 Enacted	\$4,609,150

RIC Social Worker Training**Informational**

The Budget level funds training for new social workers through the Child Welfare Institute at Rhode Island College (RIC). The Governor proposed to increase the number of new social worker classes from one to two at a cost of approximately \$310,000, however, the General Assembly did not concur and eliminated the proposed new class. This change appropriately reflects anticipated hiring trends in FY2015 for new social workers.

National Accreditation**Informational**

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

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

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

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

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

CHILD WELFARE

The Child Welfare division has two major sub-programs:

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

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

Child Welfare	General Revenue
FY2014 Enacted	\$116,496,833
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<i>Target and Other Adjustments</i>	<i>(656,665)</i>
Cost Shift to Medicaid	(978,930)
Transfer Out-of-State SED Female Youth to In-State Programs	(259,241)
Increased Funding for Special Education Costs	Informational
FY2015 Enacted	\$114,601,997

Cost Shift to Medicaid ***(\$978,930)***

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

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

Transfer Out-of-State SED Female Youth to In-State Programs ***(\$259,241)***

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

Increased Funding for Special Education Costs ***Informational***

The FY2013 and FY2014 Budgets included an additional \$500,000 to ease the transition to a new methodology used to set special education tuition rates, which are paid by school districts to DCYF. Beginning in FY2013, DCYF, RIDE, and the Budget Office agreed to begin a five-year phase-in of the new methodology with the expectation that an additional \$500,000 would be allocated to DCYF each year (a total of \$2.5 million over five years). According to RIDE, transitioning to this new methodology shifts

approximately \$2.7 million in costs from school districts to DCYF. However, the Budget does not include the additional funding of \$500,000 in FY2015, which would have increased total funding to \$1.5 million.

Currently, districts must pay DCYF a share of the cost of educating students in DCYF custody. Determined by a formula separate from the State's education funding formula, this share is based upon the districts' per pupil rate, which may vary between communities. In FY2014, the average per pupil rate ranged from a high of \$80,000 to a low of \$30,000, and is calculated by dividing the special education costs of that district by the number of students within the district with an Individualized Education Plan (IEP). The per pupil rate paid by the district to DCYF may be less than the full cost of tuition, and if so, DCYF provides for the difference.

CHILDREN'S BEHAVIORAL HEALTH

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

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

Children's Behavioral Health	General Revenue
FY2014 Enacted	\$4,491,441
<i>Target and Other Adjustments</i>	<i>565,670</i>
Contracted Services	838,277
FY2015 Enacted	\$5,895,388

Contracted Services **\$838,277**

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

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

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

HIGHER EDUCATION INCENTIVE GRANTS

The Post-Secondary Tuition Assistance Program provides tuition assistance to youth formerly in foster care to attend a wide range of post-secondary institutions. During the 2012-2013 academic year, 116 students received assistance, which represents an increase of 45 youth from the prior year. Of these 116

students, 108 attended the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. General revenue funding for the incentive program is set by statute at \$200,000.

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

JUVENILE CORRECTIONS

Juvenile Corrections include two major programs for youth offenders:

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

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

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

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

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

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

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

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

Analyst's Note: According to the Department, the pod was closed in FY2013 due to a reduced census, and the General Assembly formally recognizes the closure in the FY2015 Enacted Budget. With a capacity of 24 beds, this pod previously housed detained and adjudicated male youth. It is anticipated that if the population in the RITS were to increase, the Department would be able to re-open this pod to accommodate any fluctuations in the number of youth detained.

Medical Services (\$173,286): Based upon declining populations, the Budget achieves \$173,286 in general revenue savings for medical services within the RITS. This includes a reduction in a flat rate contract with Lifespan, which provides some medical services received by detained youth. For FY2014, the cost of medical services totaled \$1.4 million and was anticipated to increase to \$1.6 million in FY2015, however, the Budget reduces the FY2015 expense to \$1.2 million.

Analyst's Note: According to the Department, the Lifespan contract period runs from February to January, rather than on a fiscal year basis, and is set to expire on January 31, 2017. Based upon a review of the services provided, the Department assumes a reduction of \$129,643 in the current contract year. As of June 19, 2014, the Department is still in negotiations with Lifespan and is in the process of drafting an amendment to the current contract.

CAPITAL PROJECTS

The Budget funds four capital projects, recommending \$5.3 million in Rhode Island Capital Plan (RICAP) funds at DCYF from FY2014 through FY2017. All of the recommended projects are included in the current capital plan, however, funding amounts and disbursement timelines have been amended to reflect revised expenditure projections and project delays. The Budget provides \$2.9 million in RICAP funds in FY2015, which includes the following:

- \$850,000 in RICAP funds to assess and upgrade fire protection systems at all 111 privately owned and operated youth group homes and facilities throughout the State.
- Three projects at the RITS, which include improvements to address defects in initial construction, new generators, and a pre-fabricated building for maintenance operations of the RITS (\$1.6 million in RICAP funds).

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

- The Budget also funds improvements to facilities for private providers, including the North American Family Institute (NAFI), for fire code upgrades and electrical improvements, and improvements at the Groden Center in Providence (\$158,994 in RICAP funds).

Department of Health

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$11.1	\$13.4	\$12.5	(\$0.9)	-7.0%	\$13.4	(\$0.1)	-0.4%
Environmental and Health Services Regulation	17.2	19.5	19.3	(0.2)	-1.1%	18.8	(0.7)	-3.8%
State Medical Examiner	2.5	2.5	2.0	(0.5)	-21.1%	2.1	(0.5)	-18.0%
Community and Family Health and Equity	57.8	70.5	67.5	(3.0)	-4.3%	70.3	(0.2)	-0.2%
Public Health Information	3.1	2.5	4.4	1.9	78.8%	3.6	1.2	46.8%
Health Laboratories	7.9	7.7	8.3	0.6	7.6%	7.9	0.2	2.1%
Infectious Disease and Epidemiology	3.6	4.8	6.5	1.7	34.9%	6.6	1.7	36.1%
Total	\$103.2	\$121.0	\$120.5	(\$0.5)	-0.4%	\$122.6	\$1.7	1.4%
Expenditures by Source								
General Revenue	\$24.1	\$24.3	\$23.5	(\$0.8)	-3.5%	\$23.0	(\$1.4)	-5.6%
Federal Funds	54.4	62.0	63.9	1.9	3.0%	65.1	3.1	5.0%
Restricted Receipts	24.7	34.6	33.0	(1.6)	-4.7%	34.6	(0.0)	-0.1%
Other Funds	0.0	0.0	0.1	0.1	265.5%	-	(0.0)	-100.0%
Total	\$103.2	\$121.0	\$120.5	(\$0.5)	-0.4%	\$122.6	\$1.7	1.4%
Authorized FTE Levels	498.0	494.1	491.1	(3.0)	-0.6%	491.3	(2.8)	-0.6%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

The Department is one of several stakeholders involved with the establishment of an All-Payer Claims Database (APCD) and CurrentCare, a Health Information Exchange (HIE). Developed through a collaborative process with the Office of Health and Human Services, the Office of the Health Insurance Commissioner, and HealthSource RI, and DOH, the APCD will be used to track an individual across insurance carriers over time, based upon healthcare payment information provided from insurers. The data collection process began in January 2014. The data submission process, where people are identified across plans and anyone who opted out of the APCD is flagged began in May, is still underway.

In addition, through a public-private partnership in conjunction with the Rhode Island Quality Institute, the Department of Health established CurrentCare, which is on schedule to be completed within 2014. For participating medical professionals and patients, CurrentCare provides one, centralized portal to access health care information. This includes lab test results, medical information, and tracks visits to health care professionals and facilities, including behavioral health and substance abuse information.

Article 15 of the FY2015 Budget as Enacted modifies the prohibitions regarding the amount of marijuana possessed by each of the State's three approved compassion centers. Rather than specifying the number of marijuana plants and the proportion of which shall be mature plants, each compassion center is required to limit its inventory to the projected need of its registered patients.

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

CENTRAL MANAGEMENT

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

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

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

Central Management	General Revenue
FY2014 Enacted	\$544,959
<i>Target and Other Adjustments</i>	<i>(1,809)</i>
Cancer Council Grant	(61,661)
FY2015 Enacted	\$481,489
Cancer Council Grant	(\$61,661)

The Budget eliminates \$60,116 in general revenue as funding awarded in the FY2014 Enacted Budget to the Cancer Council has not been spent as the appropriate documentation necessary for reimbursement has not been received. It is not anticipated that this award will be made in FY2014, and the funds were removed in both fiscal years.

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

State Medical Examiner	General Revenue
FY2014 Enacted	\$2,365,037
<i>Target and Other Adjustments</i>	<i>21,943</i>
Personnel Expenditure Shift	(455,469)
FY2015 Enacted	\$1,931,511

Personnel Expenditure Shift**(\$455,469)**

The Budget shifts personnel costs associated with the Office of the Medical Examiner from general revenues to unexpended restricted receipts. This shift is consistent with current practice within the Department as 2.0 FTE positions within DOH have already been shifted to this restricted receipt account. This change does not reflect any reduction in actual staffing within the Office.

ENVIRONMENTAL AND HEALTH SERVICES REGULATION

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

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

The Budget funds 145.9 FTE positions in FY2015, an increase of 8.8 FTE positions from the enacted level. This increase reflects the transfer of positions to EHSR from other programs given available, non-general revenue personnel funding resources.

Environmental and Health Services Regulation	General Revenue
FY2014 Enacted	\$9,491,266
<i>Target and Other Adjustments</i>	<i>(240,171)</i>
FY2015 Enacted	\$9,251,095

HEALTH LABORATORIES

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

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

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

Personnel Changes**\$114,133**

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

PUBLIC HEALTH INFORMATION

The Division of Public Health Information includes three units. The Center for Health Data and Analysis coordinates the collection and sharing of health-related data to inform health policy decisions, monitors the status and quality of the public health, and supports public health initiatives. The Office of Vital Records maintains the statewide birth, death, marriage, and divorce statistics. The Office of Health

Information Technology is responsible for developing a statewide Health Information Exchange to facilitate the sharing of critical health information among health care providers, and for promoting the use of electronic medical records.

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

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

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

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

COMMUNITY AND FAMILY HEALTH AND EQUITY

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

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

Community and Family Health and Equity	General Revenue
FY2014 Enacted	\$2,448,286
<i>Target and Other Adjustments</i>	<i>(114,421)</i>
Lead Poisoning Prevention	(157,710)
FY2015 Enacted	\$2,176,155

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

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

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

The Department engages in a number of lead abatement activities and programs, including the prevention and treatment of lead poisoning for both children and adults. The Department seeks to eliminate

childhood lead poisoning in the state through lead screenings, education and policy development, and referrals for medical treatment for identified cases of lead poisoning.

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

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

Race to the Top (federal funds)

\$901,600

Reflecting the receipt of funds associated with the Race to the Top grant, the Budget adds \$901,600 in federal funds, in part, to support 4.5 FTE positions associated with implementing the State's education plan as it relates to early education. As part of this effort, in Spring of 2014, the Department modified its staffing to respond to calls from primary care providers who need assistance making referrals for children and their families needing to be connected with resources and services. In addition, the Department has also established "Screening to Succeed," in coordination with pediatric primary care providers, which is a childhood development screening program.

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

WiseWoman Program (federal funds)

\$749,978

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

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

Analyst's Note: According to the Department, with the receipt of federal funding for the WiseWoman program, a request for proposal (RFP) was issued and due by December 20, 2013, to expand the program from the Thundermist Health Center in Woonsocket to federally qualified and other health centers in the State. The Department established programs with 2 health centers (St. Joseph and East Bay) that responded to the RFP, and were operational as of April 1, 2014. The Department is also working on expanding the number of sites for the second year of the grant award.

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

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

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

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

CAPITAL PROJECTS

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

Department of Human Services

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$10.6	\$11.2	\$10.9	(\$0.3)	-2.9%	\$9.3	(\$1.9)	-17.3%
Child Support Enforcement	8.1	8.5	8.3	(0.2)	-1.9%	8.2	(0.2)	-2.7%
Health Care Eligibility	15.8	19.2	18.1	(1.1)	-5.7%	20.0	0.8	4.2%
Individual and Family Support	132.9	166.3	171.8	5.5	3.3%	157.5	(8.8)	-5.3%
Rhode Island Works	87.5	90.0	85.1	(4.8)	-5.4%	86.7	(3.3)	-3.6%
State Funded Programs	302.8	300.5	302.9	2.3	0.8%	302.3	1.8	0.6%
Supplemental Security Income Program	18.2	18.2	18.4	0.2	0.9%	18.6	0.3	1.9%
Veterans' Affairs	27.9	30.1	30.0	(0.1)	-0.4%	28.4	(1.7)	-5.8%
Elderly Affairs	28.0	18.0	18.0	0.1	0.3%	18.7	0.8	4.2%
Total	\$631.8	\$662.1	\$663.6	\$1.5	0.2%	\$649.8	(\$12.3)	-1.9%
Expenditures by Source								
General Revenue	\$97.5	\$93.5	\$93.9	\$0.4	0.4%	\$96.3	\$2.8	3.0%
Federal Funds	523.4	554.4	561.6	7.2	1.3%	547.3	(7.0)	-1.3%
Restricted Receipts	7.2	9.8	2.8	(7.0)	-71.2%	1.8	(8.0)	-81.6%
Other Funds	3.7	4.5	5.3	0.8	18.9%	4.3	(0.2)	-3.4%
Total	\$631.8	\$662.1	\$663.6	\$1.5	0.2%	\$649.8	(\$12.3)	-1.9%
Authorized FTE Levels	933.1	959.1	959.1	-	0.0%	959.1	-	0.0%

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

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

MAJOR ISSUES AND TRENDS FOR FY2015

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

The Budget also increases funding for the Unified Health Infrastructure Project (UHIP), a collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, 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.

Eligibility for the SSI state supplement is expanded to individuals living in assisted living facilities participating in the RI Housing Assisted Living Waiver program. Individuals in these residences will now be eligible for the \$206 monthly payment.

The temporary expansion of child care benefits to those earning up to 225.0 percent of the federal poverty level, is extended through September 30, 2016, or for an additional 24 months. This increase in the income eligibility ceiling for low-income subsidized child care from the previous limit of 180.0 percent was initially included in the FY2014 Budget as Enacted.

The Budget funds field workers in the Supplemental Nutrition Assistance Program (SNAP) and the Rhode Island Works cash assistance program to assist with eligibility and administrative support, and to address federal sanctions in both of these programs. Within SNAP, additional eligibility staff are anticipated to improve the program's error rates, which have been high given current caseloads. Within

the RI Works program, additional field staff are added to address federal sanctions, which require improved work participation rates for RI Works participants.

Caseload Estimating Conference

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The May 2014 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the Budget.

Overall spending for cash assistance programs, which includes RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$105.6 million in FY2015, a decrease of \$4.6 million from the enacted level. Major contributors to this reduction are the elimination of the GPA Medical program, as clients are now eligible for Medicaid under the Affordable Care Act, and a reduction in the number of Rhode Island Works cases.

Cash Assistance Program - May 2014 Adopted Estimates			
	FY2014 Enacted	FY2015 Adopted	Change to Enacted
Rhode Island Works	\$38.9	\$35.6	(\$3.3)
Federal Funds	38.9	35.6	(3.3)
Child Care	\$51.1	\$50.0	(\$1.1)
Federal Funds	41.4	40.4	(1.1)
General Revenue	9.7	9.7	-
SSI - State Supplement	\$18.2	\$18.6	\$0.3
General Revenue	18.2	18.6	0.3
General Public Assistance	\$2.0	\$1.4	(\$0.6)
Federal Funds	0.3	-	(0.3)
General Revenue	1.7	1.4	(0.3)
Total	\$110.2	\$105.6	(\$4.6)
Federal Funds	80.6	75.9	(4.7)
General Revenue	29.6	29.7	0.1

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

CENTRAL MANAGEMENT

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

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

Central Management	General Revenue
FY2014 Enacted	\$5,543,121
<i>Target and Other Adjustments</i>	<i>(150,733)</i>
Federally Qualified Health Centers	(501,872)
Community Service Objectives	76,604
FY2015 Enacted	\$4,967,120

Federally Qualified Health Centers (\$501,872)

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

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

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

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

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

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

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

Community Service Objectives

\$76,604

The Budget increases funding for community service objectives by approximately \$75,000 in FY2015. This reflects adjustments to several individual grants, including an additional \$140,617 to the Boys and Girls Club of Rhode Island; removal of \$50,000 in one-time funding for Day One; a reduction of \$50,000 to funding provided to the John Hope Settlement House; an addition of \$25,000 for the Cranston's League for Cranston's Future, which supports youth sports programs; and an additional \$10,987 for Operation Stand Down Rhode Island, which helps to provide housing and other assistance to veterans.

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 funds 455.0 FTE positions in FY2015, an increase of 11.0 FTE positions from the enacted level. Changes include the addition of 6.0 FTE positions associated with SNAP, 5.0 additional FTE positions associated with Race to the Top, and 3.0 additional FTE positions associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). These increases are offset by a reduction of 2.0 FTE positions associated with GPA and 1.0 FTE positions within the Office of Rehabilitative Services.

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

The United States Department of Agriculture (USDA), which oversees the WIC program at the national level, expressed legal and administrative concerns that DHS did not meet the standard required by federal regulation.

USDA recommended that the WIC program be administered by a health department, or comparable department, rather than DHS. In response to the USDA's concerns, OHHS is working with DHS and the Department of Health to address the organizational structure and State's administration of the WIC program. According to OHHS, it is anticipated that the transfer of WIC will be fully addressed when the annual WIC State Plan is submitted to the United States Food and Nutrition Service (FNS) in August 2014.

Individual and Family Support (IFS)	General Revenue
FY2014 Enacted	\$20,922,405
<i>Target and Other Adjustments</i>	266,036
Unified Health Infrastructure Project	2,793,136
Field and Administrative Staff Additions	446,224
Eliminate SNAP Outreach Grant	(100,000)
RI Housing Assisted Living Waiver	85,284
Urban Institute Work Support Strategies Grant	Informational
FY2015 Enacted	\$24,413,085

Unified Health Infrastructure Project (UHIP)

\$2.8 million

The Budget as Enacted provides \$2.8 million in general revenue (\$4.5 million all funds) within DHS for technology costs related to the Unified Health Infrastructure Project (UHIP), reflecting actual contract costs and an updated project timeline. This excludes funding for personnel (discussed within the Health Care Eligibility program). The UHIP technology build is currently estimated to cost a total of \$135.3 million, including \$13.3 million in general revenue from OHHS and \$10.2 million in general revenue from DHS.

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

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

Field and Administrative Staff Additions

\$446,224

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

For federal fiscal year 2011, the State met the overall work participation rate (WPR) for the RI Works program, but did not meet its rate for 2-parent families. Adjusting for a caseload reduction credit, the State's FFY2011 WPR for 2-parent families was 30.7 percent, however, the State's actual rate was 8.3 percent. As a result, the State was assessed a penalty of \$130,963 on April 15, 2014.

For federal fiscal year 2012, the State's SNAP error rate was 7.36 percent, exceeding the federal target of 3.42 percent. In terms of overpayment of SNAP benefits, the State's FFY2012 rate was 6.5 percent, and

for underpayment of SNAP benefits, the State's FFY2012 rate was 0.86 percent, for a net error rate of 6.5 percent.

SNAP penalty of \$519,000 has been levied against the State by the USDA and the State has the option of paying the penalty in full or designating 50.0 percent of the penalty toward investments that improve SNAP administration. The Department has chosen to invest in improvements, including the addition of 6.0 FTE positions for SNAP administration and eligibility. The program has grown over time, and DHS anticipates the trend of high caseloads in the field (currently approximately 2,000 cases per worker) will continue, posing a challenge to meeting federal targets.

Eliminate SNAP Outreach Grant

(\$100,000)

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

RI Housing Assisted Living Waiver

\$85,284

Eligibility for the SSI state supplement is expanded to individuals living in assisted living facilities participating in the RI Housing Assisted Living Waiver program. Individuals in these residences will now be eligible for the \$206 monthly payment, effectively restoring payments that were eliminated in the FY2012 Enacted Budget.

Unlike other assisted living residences, these facilities are ineligible for Medicaid funding to cover the cost of services, therefore these residents do not receive the federal supplementary payment. Article 15 of the FY2015 Budget as Enacted establishes parity between residents residing in state licensed assisted living residents and those living in RI Housing Assisted Living Waiver facilities. Currently, 151 residents in three facilities (Franklin Court in Bristol, St. Elizabeth's Court in Providence, and Forest Farm in Middletown) will be eligible for this benefit as of October 1, 2014.

Urban Institute Work Support Strategies Grant

Informational

The FY2014 Budget as Enacted added 2.0 time-limited FTE positions to support the administration of Phase II of the Ford Foundation/Urban Institute's Work Support Strategies grant, which provides personnel, technical assistance and other resources for the design and implementation of a data-driven plan for streamlined access to work support benefits such as child care, SNAP, subsidized employment and workforce training. Through this grant, DHS will redesign and modernize its service delivery system, addressing its siloed, redundant, and costly programs and processes in order to maximize participation in and outcomes of its programs. As of the date of this publication, 1.0 FTE position remains vacant and will not be filled. The Department has since determined it would be more appropriate to hire a consultant as the work is technical and the position was time limited.

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

RHODE ISLAND WORKS

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

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

Caseload Estimating Conference**Informational**

The May 2014 Caseload Estimating Conference (CEC) estimated a caseload average of 15,125 recipients and total program cost of \$37.2 million for FY2015, all of which is federal funds. Rhode Island also provides child care assistance to families earning less than 180 percent of the federal poverty level. Until September 30, 2014, eligibility for families currently participating in the child care assistance program whose income increases to between 180 percent to 225 percent of the federal poverty level will continue to receive subsidized child care under a new pilot program. The CEC adopted a FY2015 estimate of 7,145 child care subsidies at a total cost of \$50.7 million (\$9.7 million in general revenue), including caseload projections for both the primary and pilot programs.

TANF – Job Preparation Program and Child Care**Informational**

Consistent with the FY2014 Budget as Enacted, the Budget includes \$1.5 million in federal funds in FY2015 to provide child care benefits to participants in the child care assistance program whose income increases to up to 225 percent of the federal poverty level (up from the current 180 percent). Although no additional funding was explicitly allocated for this purpose, contingent upon available funding, the General Assembly extends this program through June 30, 2015. If available, it is anticipated that unspent federal TANF funds may be used for this purpose.

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

STATE FUNDED PROGRAMS

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

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

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

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

State Funded Programs	General Revenue
FY2014 Enacted	\$1,906,800
Caseload Estimating Conference	(290,800)
FY2015 Enacted	\$1,616,000
<i>Caseload Estimating Conference</i>	<i>(\$290,800)</i>

Estimators at the May 2014 Caseload Estimating Conference (CEC) projected a decrease in general public assistance expenditures in FY2015 due to the elimination of the GPA Medical program, as clients are now eligible for Medicaid under the Affordable Care Act. Expenditures for monthly cash payments and indigent burials, and the GPA hardship contingency fund (\$210,000 general revenue, which is not estimated during the CEC, but included in program totals) are projected to be \$1.6 million in FY2015, a \$290,800 general revenue decrease from FY2014.

SUPPLEMENTAL SECURITY INCOME

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

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

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

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

In the FY2012 Budget as Enacted, the General Assembly reduced the monthly state supplemental payment to SSI recipients in assisted living facilities from \$538 to \$332, the federal minimum, effective October 1, 2011. Approximately 350 individuals in assisted living residences receive SSI payments; the resident retains a small portion of the payment as a personal needs allowance and the majority of the payment goes to the facility. Though there were initial concerns that the reduction of the state supplement would result in displacement of residents and closure of nursing homes, the Department reports that this has not occurred. The FY2013 Budget added \$250,000 in general revenue to make monthly payments of \$206 to approximately 84 State Supplemental Security Insurance recipients residing in non-Medicaid funded assisted living facilities. This raised state payments from \$332 to \$538 for these recipients and reversed for these facilities the reduction made in the FY2012 Budget. The Budget maintains current payment amounts for FY2015 for these residents, and expands eligibility for 151 residents in RI Housing Assisted Living Waiver facilities (discussed above in Individual and Family Support).

Supplemental Security Income (SSI)	General Revenue
FY2014 Enacted	\$18,234,514

Caseload Estimating Conference	344,766
FY2015 Enacted	\$18,579,280

Caseload Estimating Conference **\$344,766**

The May 2014 CEC estimate reflects an SSI caseload average of 33,930 in FY2015, with individuals receiving an estimated average monthly payment \$45.50 for total general revenue costs of \$18.5 million. Fees associated with the SSI program are expected to be \$53,000, bringing total program costs to \$18.6 million in FY2015.

Prior to January 1, 2011, the federal government administered the state supplemental payment, issuing beneficiaries a single check including both the federal and state payment. The State was charged a transaction fee of \$10.56 for each payment. Beginning in 2011, the State made the supplemental payments directly, avoiding \$4.0 million in transaction fees annually. The State continues to pay transaction fees to the federal government to administer state supplemental payments for a small portion of the caseload for which it also determines eligibility.

HEALTH CARE ELIGIBILITY

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals.

The Budget funds 190.3 FTE positions for FY2015, an increase of 23.0 FTE positions from the enacted level of 167.3, reflecting 29.0 new FTE for UHIP, offset by a reduction of 6.0 FTE positions for long-term care and medical services.

Health Care Eligibility	General Revenue
FY2014 Enacted	\$8,141,377

<i>Target and Other Adjustments</i>	<i>(461,208)</i>
Unified Health Infrastructure Project (UHIP) - Personnel	546,418
FY2015 Enacted	\$8,226,587

Unified Health Infrastructure Project (UHIP) - Personnel **\$546,418**

The Budget adds \$546,418 in general revenue (\$1.1 million all funds) for 45.0 FTE positions associated with UHIP, bringing total funding in FY2015 to \$731,979 in general revenue (\$3.0 million all funds). In FY2015 29.0 new positions are associated with Medicaid eligibility processing through UHIP. These positions are term limited and will be eligible for a 75.0 percent federal reimbursement rate. The Budget also funds 17.0 existing positions, which are responsible for training, systems development, design, and testing. These positions are term limited and will be eligible for a 90.0 percent federal reimbursement rate.

According to the Department, additional eligibility staff are necessary to support the influx of new applicants (estimated to be 40,000). Existing eligibility staff were transferred from Medicaid to UHIP to assist, however, it was determined that additional staff would be necessary to help screen all applicants. Eligibility technicians screen clients through the Master Client Index, a database with basic demographic information, and verify applicant information. DHS staff will also assist applicants unable to automatically enroll through the UHIP web portal.

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

Analyst's Note: The 29.0 eligibility technician positions are term limited for the UHIP funds, and recruitment is underway. Upon the expiration of the federal funds, the Department indicates that it would be able to maintain the positions and transition the staff to unfilled eligibility technician vacancies, based upon current staffing trends.

VETERANS' AFFAIRS

The Division of Veterans' Affairs serves Rhode Island's veteran population of approximately 80,000. The program operates the Rhode Island Veterans' Home, a state-run nursing facility, and the Veterans' Cemetery in Exeter, Rhode Island.

The Budget includes 239.6 FTE positions for the Division, a net increase of 1.0 FTE position from the enacted level, reflecting a number of shifts in specific positions funded within the program, including staff at the Veterans' Home.

Veterans' Affairs	General Revenue
FY2014 Enacted	\$20,993,993
<i>Target and Other Adjustments</i>	<i>(188,123)</i>
Veterans' Affairs Personnel and Overtime	(531,304)
Veterans' Home - New Construction	Informational
FY2015 Enacted	\$20,274,566

Veterans Affairs Personnel and Overtime ***(\$531,304)***

The Budget increases overtime costs at the Veterans' Home based upon current staffing trends by \$248,000 in general revenue from the FY2014 enacted level, offset by approximately \$780,000 in general revenue savings in other personnel costs given payroll projections. This results in a net reduction of \$531,304 in FY2015.

Overtime costs were underfunded in FY2013 and FY2014 as the Home was unable to achieve savings from planned efficiencies, and based on current expenditure projections the Budget increases funding. In FY2013, the Department spent \$2.0 million in general revenue and the Budget includes \$1.9 million in general revenue for overtime expenditures within the program.

Even when accounting for the acceleration of staff recruitment to address overspending in overtime costs, the Budget reflects this reduction, assuming an increase in projected turnover. The residential census is anticipated to increase from 165 long term care residents to a planned 205 long term care residents.

Veterans' Home – New Construction ***Informational***

In November 2012, voters approved a \$94.0 million bond issue to construct a new Veterans' Home and to repurpose the existing facility. The FY2014 Budget as Enacted assumed an interest rate of 6.0 percent and as of January 2014, \$6.0 million in general obligation bond funds have been issued. Proceeds will be used to address the current home's outdated design and systems with a long term strategy that will provide the full range of support programs required by veterans both now and in the future. The new facility will be constructed immediately behind and connected to the current facility in Bristol.

The current facility will also be repurposed to allow the home to meet the currently unmet needs of veterans with traumatic brain injury and post-traumatic stress disorder as well as the need for adult day services and outpatient rehabilitation services not offered by the VA Hospital.

The Budget includes bond proceeds of \$15.0 million in FY2015 for the architectural services (\$5.0 million) and beginning construction of the new home (\$10.0 million). General obligation bond funding is also included (\$5.3 million) in FY2014 for engineering and architectural work, as well as a contract project manager. Though construction and renovation will be financed initially through bonds, the Department of Human Services (DHS) anticipates reimbursement of \$21.2 million from the U.S. Department of Veterans Affairs (VA), resulting in a net cost to the State of \$72.8 million, excluding debt service.

Analyst's Note: According to the Division, a contract for a program manager (Peregrine Group) was awarded in September 2013 and a contract for engineering and architectural work (Brewster Thornton Group Architects) was awarded in December 2013 at a total cost of \$6.7 million, exceeding the FY2014 \$5.3 million appropriation.

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 funds 58.2 FTE positions for FY2015, a reduction of 3.0 FTE positions from the FY2014 enacted level. This change is primarily due to the elimination of 2.0 FTE that were incorrectly allocated to this program.

Child Support Enforcement	General Revenue
FY2014 Enacted	\$2,370,212
<i>Target and Other Adjustments</i>	<i>(7,372)</i>
FY2015 Enacted	\$2,362,840

ELDERLY AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for those sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities. The Division also monitors more than 200 community service grants to regional and community-based agencies.

The Division manages the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, which provides financial assistance for medications to approximately 2,600 Rhode Islanders. Recipients are eligible if they are age 65 and older, or age 55 and older and receiving Social Security Disability Income (SSDI). Since 2008, RIPAE enrollees are required to enroll in a Medicare Part D prescription drug plan, which significantly reduces RIPAE utilization.

The Budget provides for 31.0 FTE positions for FY2015, consistent with the FY2014 enacted level.

Elderly Affairs	General Revenue
FY2014 Enacted	\$5,698,138
<i>Target and Other Adjustments</i>	<i>275,039</i>
Indirect Cost Recovery Restoration	397,491
RIPAE Rebates	(150,000)
Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update	Informational
FY2015 Enacted	\$6,220,668

Indirect Cost Recovery Restoration **\$397,491**

The Budget adds nearly \$400,000 in general revenue to restore savings assumed in the FY2014 Budget as Enacted. The General Assembly transferred \$397,491 in general revenue costs to restricted receipts under the assumption that the Division would be able to reallocate some administrative costs associated with federal grant administration to restricted receipts.

According to federal law, the State is permitted to assess the federal government a predetermined fee for direct and indirect costs of administering federal grant programs. Direct costs of grant administration such as salaries and equipment are regularly recovered by DHS.

RIPAE Rebates **(\$150,000)**

The Budget reduces general revenue by \$150,000 and increases restricted receipts by \$150,000 for grants and benefits for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program. The Department has spent less than what was anticipated in general revenue, and indicates that there are enough funds within the restricted receipt account to offset expenditures previously funded by general revenues. There is no impact on program participants.

Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) Update **Informational**

The RIPAE program, which provides income-scaled pharmaceutical subsidies for low- and middle-income seniors, is budgeted at \$174,484 for FY2015, consistent with the enacted level.

Under typical Medicare Part D plans into which all RIPAE members are required to enroll, individuals are responsible for 25.0 percent of their drug costs up to an annual drug cost of \$2,840. For drug purchases above this initial coverage limit and under the catastrophic coverage threshold (\$6,448) enrollees are responsible for 100.0 percent of the cost. RIPAE was designed to address this Medicare Part D coverage gap or “Medicare donut hole.” Program expenses peaked in FY2001 at \$9.9 million general revenue.

Since that peak, however, the program has become smaller, particularly since passage of the federal Affordable Care Act, which has been gradually decreasing drug costs for enrollees in the donut hole and reducing the need for RIPAE-funded services. The following table illustrates the declining trend in clients, claims, and cost per claim:

	Number of Claims	Unique Clients	Avg. Cost per Claim	Total Cost
FY2007	73,922	6,425	\$24.12	\$1,783,010
FY2008	80,382	6,485	24.64	1,980,222
FY2009	65,488	5,968	23.23	1,521,270
FY2010	51,773	5,051	22.72	1,176,261
FY2011	48,485	4,591	21.01	1,018,723
FY2012	22,360	3,481	16.05	358,878
FY2013	39,295	2,001	4.12	161,754

Analyst's Note: Though program assistance and grants have declined to \$175,000 or by 90.0 percent, annual contracts for the program's administration and personnel expenditures stand at \$130,000 in the FY2014 revised budget and increase to approximately \$150,000 in the FY2015 Budget.

CAPITAL PROJECTS

The Budget provides a total of \$96.6 million for capital projects from FY2014 through FY2019, including:

- \$93.8 million in general obligation bond funds for the construction of a new Veterans' Home.
- \$1.1 million in RICAP funds to establish and refurbish vending facilities to be operated by the legally blind.
- \$670,000 for the construction of a new columbarium at the Veterans' Cemetery, which is eligible for full federal reimbursement.
- \$600,000 in restricted receipts to complete renovations to three nursing units at the Veterans' Home in Bristol, which is focused on providing residents with a clean environment to live in for the next five years while the new Home is being constructed.
- \$450,000 in restricted receipts for upgrades to the electrical and fire alarm systems at the Veterans' Home in Bristol.
- \$50,000 in restricted receipts for improvements, upgrades and renovations to the Veterans' Home.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
Central Management	\$1.0	\$1.2	\$1.5	\$0.3	22.4%	\$1.5	\$0.3	21.2%
Hospital & Community System Support	3.3	3.6	3.5	(0.1)	-3.3%	3.9	0.4	9.9%
Service for the Developmentally Disabled	225.5	224.3	225.8	1.5	0.6%	227.4	3.0	1.4%
Behavioral Healthcare Services	100.3	94.3	97.9	3.7	3.9%	19.0	(75.3)	-79.8%
Hospital & Community Rehabilitation Svcs	106.1	114.4	110.9	(3.5)	-3.1%	113.7	(0.7)	-0.6%
Total	\$436.3	\$437.8	\$439.6	\$1.7	0.4%	\$365.5	(\$72.3)	-16.5%

Expenditures by Source								
	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted		Enacted	from Enacted	
General Revenue	\$196.9	\$202.1	\$201.1	(\$1.0)	-0.5%	\$167.5	(\$34.6)	-17.1%
Federal Funds	228.9	217.8	219.9	2.1	1.0%	181.2	(36.6)	-16.8%
Restricted Receipts	6.0	7.4	9.6	2.2	29.1%	9.6	2.2	29.9%
Other Funds	4.5	10.6	9.0	(1.6)	-14.9%	7.2	(3.4)	-32.0%
Total	\$436.3	\$437.8	\$439.6	\$1.7	0.4%	\$365.5	(\$72.3)	-16.5%

Authorized FTE Levels	1,424.4	1,423.4	1,422.4	(1.0)	-0.1%	1,422.4	(1.0)	-0.1%
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\$ in millions. Totals may vary due to rounding.

The Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget as Enacted transfers the funding for Medicaid-funded behavioral healthcare services from BHDDH to the Executive Office of Health and Human Services (OHHS) in order to better coordinate behavioral healthcare with primary and acute care. These services are level-funded with projected FY2014 expenditures.

On January 1, eligibility in the State's Medicaid program was expanded to include all adults regardless of family status. Clients previously receiving limited Medicaid services through BHDDH's Costs Not Otherwise Matchable (CNOM) programs became eligible for full Medicaid or for heavily-subsidized private insurance purchased through HealthSource RI, largely eliminating the need for CNOM programs. The FY2014 Budget reflected this healthcare expansion and reduced funding for these programs based on six months of expansion. The FY2015 Budget removes the remaining funding.

The OHHS budget includes \$492.0 million for the care of an estimated 55,000 newly-eligible Medicaid individuals, among whom are formerly uninsured and underinsured CNOM clients. Though in April 2014 CMS granted approval for the continuation of the Department's CNOM programs with regular federal participation, the Budget does not include the required State match for these programs.

The Budget as Enacted includes \$14.6 million in federal block grants and from these grants specifies a \$900,000 grant to Substance Abuse Prevention Task Forces and a \$128,000 grant to the National Alliance on Mental Illness – Rhode Island (NAMI).

Federal Grants	FY2015
Substance Abuse Block Grant	\$6.6
Access to Recovery III	3.4
Title XX Social Services Block Grant	1.6
Mental Health Block Grant	1.3
Other	1.6
Total	\$14.6

BHDDH continues its efforts to better manage personnel and overtime costs at the Eleanor Slater Hospital and at Rhode Island Community Living and Supports (RICLAS), the state-run system of residential services for the developmentally disabled, through implementation of a continuous recruitment program. The FY2014 Budget as Enacted increased the FTE cap of these programs in order for the Department to establish and maintain an ongoing applicant pool in order to fill vacant positions more quickly and thus lower the overtime costs associated with high FTE vacancy levels in the Department's 24/7 programs. For FY2015, the Budget increases personnel and overtime funding by \$1.6 million to bring funding in line with historic spending and with the FY2014 recommended revised budget.

Additionally, the Budget increases personnel funding for RICLAS and Eleanor Slater Hospital in response to recently negotiated employee contracts that contained cost of living adjustments for State employees.

CENTRAL MANAGEMENT (OFFICE OF THE DIRECTOR)

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program functions include Management and Administration; Legislative Affairs; Constituent Affairs; Advocacy; Hospital Appeals; Strategic Planning; Community and Provider Involvement; and Public Education. The program also centralizes emergency management, planning and renovation of construction, performance improvement, and funds development for the Department.

For FY2015, the Budget includes 11.0 FTE positions, an increase of 3.0 FTE positions transferred from other programs within the department.

Central Management	General Revenue
FY2014 Enacted	\$816,045
<i>Target and Other Adjustments</i>	<i>154,778</i>
FY2015 Enacted	\$970,823

HOSPITALS AND COMMUNITY SYSTEM SUPPORT

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

For FY2015, the Budget authorizes 26.0 FTE positions, an increase of 2.0 FTE positions transferred from other programs within the department.

Hospitals and Community System Support	General Revenue
FY2014 Enacted	\$1,592,216
<i>Target and Other Adjustments</i>	<i>2,064</i>
FY2015 Enacted	\$1,594,280

DEVELOPMENTAL DISABILITIES

The Developmental Disabilities (DD) program supports a statewide network of private and public programs for those with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate supports in the least restrictive environment for the developmentally disabled. The

program manages a population that ranges from those previously institutionalized at Ladd School prior to the closure of the facility in 1993 to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,200 individuals through state-run programs and community-based providers and including those who receive case management services only. The state-run system has 32 homes which are 24-hour nursing-level facilities. The state system, otherwise known as RICLAS (Rhode Island Community Living and Supports) currently supports approximately 195 persons. Private residential providers operate over 300 facilities and support approximately 1,700 persons. The remaining clients served by DD programs participate in day programs, supportive employment, and programs that provide support to allow individuals to continue living in the community. Many clients are served by more than one DD program.

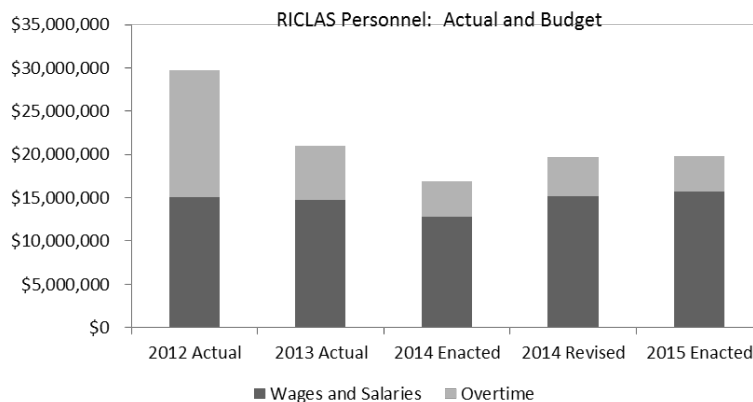
The Budget as Enacted authorizes 448.4 FTE positions for FY2015, an increase of 1.0 FTE over the FY2014 level.

Service for the Developmentally Disabled	General Revenue
FY2014 Enacted	\$109,467,984
<i>Target and Other Adjustments</i>	<i>(424,231)</i>
Personnel - Restoration of Turnover Savings	1,584,352
Personnel - Increased Personnel Costs	400,000
Project Sustainability	Informational
FY2015 Enacted	\$111,028,105

Personnel- Restoration of Turnover Savings **\$1.6 million**

The Budget as Enacted adds \$1.6 million in general revenue for personnel at the RICLAS state-run system of group homes for the developmentally disabled, restoring turnover savings taken in the FY2014 Budget as Enacted and bringing funding to levels consistent with historical spending for the program. This additional funding is also consistent with the Department’s efforts to better control overtime costs with continuous recruitment.

The following chart shows all funds expenditures for RICLAS wages and overtime since FY2012. Overtime funding is consistent with the FY2014 Revised Budget and approximately \$2.2 million less than FY2013 actual expenditures.



Personnel – Increased Personnel Costs **\$400,000**

To offset increased personnel costs that would have required the Department to leave positions vacant and increase overtime expenses at the Department’s 24/7 operations, the Budget adds \$400,000 in general revenue (\$800,000 all funds).

Project Sustainability**Informational**

The Budget as Enacted provides level funding for Project Sustainability, which reformed the payment methodology for privately-run residential, day and family support programs to the developmentally disabled beginning in FY2012. Project Sustainability replaced the flat monthly bundled individually-negotiated rates paid to providers with a fee-for-service payment methodology that specifies a rate for each service that is applied to every private provider.

As the final stage of Project Sustainability is implemented, the Supports Intensity Scale (SIS), a nationally-recognized assessment tool, is being used to set resources allocations based upon service tiers for each individual. The Department has determined that these standardized allocations are anticipated to reduce DD service authorizations by 1.9 to 4.1 percent or by \$3.4 million to a maximum of \$7.2 million in all funds per year when fully implemented. The Budget as Enacted does not recognize these savings, but rather provides sufficient funding at the current service utilization level to maintain the January 2014 increase in the direct care wage to \$11.30 an hour.

BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services program consists of two subprograms: Mental Health and Substance Abuse. The program plans, coordinates, and administers systems of treatment for substance abuse prevention and the promotion of mental health. The program provides screening, intervention, early intervention, referral, clinical treatment, and recovery support activities. The program works closely with other departments and agencies in the State, including education, child welfare, and the criminal justice system.

Since 2009, BHDDH Costs Not Otherwise Matchable (CNOM) programs have provided substance abuse and mental health services to those not eligible for full Medicaid coverage, typically because they did not meet the categorical requirement that they have dependent children. Under the State's Global Waiver, CMS waived this usual criteria and only income eligibility criteria (200 percent of the federal poverty level) have applied for these services. CNOM programs have also provided enhanced behavioral health benefits to underinsured individuals under 200 percent FPL, funding services that typical private insurance plans do not cover.

As of the expansion of Medicaid eligibility on January 1, 2014, CNOM clients are eligible for Medicaid or for heavily-subsidized private insurance purchased through HealthSource RI, largely eliminating the need for CNOM services. The FY2014 Budget reflected this expansion of Medicaid and removed \$10.0 million from CNOM programs based on six months of expansion. The FY2015 Budget removes the remaining \$8.6 million.

The FY2015 Budget also removes \$67.7 million for services to Medicaid-eligible clients and transfers this appropriation to the Executive Office of Health and Human Services in order to better coordinate behavioral healthcare with acute and primary care. BHDDH's budget has traditionally funded behavioral health services that are in addition to those provided through OHHS' managed care plans to those individuals with substance abuse issues or with serious and persistent mental illness who require more comprehensive coverage. In FY2015, both types of services will be funded through

	FY2013	FY2014	FY2015
All Funds	Actual	Revised	Enacted
Medicaid	\$58.8	\$67.6	*
Medicaid - CNOM	18.6	8.6	**
Federal Grants	14.9	14.4	14.6
Administration	2.3	2.4	2.5
State Only Grants	2.7	2.2	-
Legislative Grants	1.0	0.9	0.2
Other	0.5	0.4	0.4
Total	\$98.8	\$96.6	\$17.6

\$ in millions

* Services funded through OHHS

** Services funded through OHHS and BHDDH federal grants

OHHS.

The FY2015 Budget anticipates that a significant portion of the Department \$14.6 million in federal block grants will be freed up by the Medicaid coverage newly available to previously uninsured BHDDH clients. Contracts budgeted with state-only funds in prior fiscal years are shifted to these federal grants and the Department will continue to fund wrap services such as residential services at facilities that do not qualify for Medicaid matching funds, prevention activities, and services for those who are eligible for Medicare but not Medicaid. It is also anticipated that any remaining need for CNOM services will be funded with these federal grants.

For FY2015, the Budget as Enacted authorizes 29.0 FTE positions, a decrease of 8.0 FTE positions transferred to other programs within the department.

Behavioral Healthcare Services	General Revenue
FY2014 Enacted	\$39,670,207
<i>Target and Other Adjustments</i>	
Behavioral Health Medicaid Programs to OHHS	(30,053,186)
Affordable Care Act Savings - Annualization	(4,143,234)
RESPECT Contract Elimination	(2,104,332)
Prison to Community Grant - Community Service Objective	(1,000,000)
Program Cost Shift to Federal Funds	(674,075)
Reductions to Select Contracts	(467,000)
Emergency Room Diversion Pilot Program	(250,000)
Community Service Grants	50,000
FY2015 Enacted	\$1,980,322

Behavioral Health Medicaid Program – Transfer to OHHS **(\$30.1 million)**

In keeping with the Executive Office of Health and Human Services' role as the single state agency for Medicaid, the Budget transfers Medicaid-funded behavioral health and substance abuse programs from BHDDH to OHHS' Rhody Health Partners managed care program. This will allow for better coordination of primary, acute and behavioral healthcare.

These Medicaid-funded behavioral health programs are funded at a level consistent with the projected FY2014 level and include the 5.0 percent reduction in rates paid to providers of home health services as proposed by the Governor.

Affordable Care Act Savings – Annualization **(\$4.1 million)**

The Budget as Enacted annualizes savings from the implementation of the Affordable Care Act, which allows for increased federal funding for certain Medicaid-optional behavioral health services. On January 1, 2014, Medicaid coverage was extended to adults without dependent children with incomes up to 138 percent of the federal poverty level. Certain behavioral health services referred to "Costs Not Otherwise Matchable" (CNOM) provided for these newly eligible Medicaid participants, which are now provided at the State's regular FMAP of 50.0 percent, are now fully federally funded, resulting in \$4.1 million in general revenue savings in FY2015.

RESPECT Contract Elimination **(\$2.1 million)**

The Budget eliminates BHDDH's contract with The Providence Center that provides state-funded inpatient psychiatric and medical detoxification services for indigent and uninsured individuals. The proposal assumes that these services are now available to individuals through the expansion of the Medicaid eligibility to all adults with income up to 138 percent of the federal poverty level.

Since 2012, The Providence Center has administered these services through their RESPECT program (Recovery-oriented, Empathic Services Proactively Empowering Consumers in Treatment), a state-wide

service delivery system that provides a single intake system, staffed 24/7, along with a continuum of care that includes the coordination and monitoring of inpatient psychiatric and medical detoxification services.

Prison to Community Grant – Community Service Objective ***(\$1.0 million)***

The Budget as Enacted eliminates the \$1.0 million Community Service Objective for the Prison to Community Program. It is assumed that parolees will be able to access these services through the Medicaid program as newly eligible enrollees.

This program provides residential and outpatient substance abuse treatment services to parolees for whom these services are a required condition of parole. This program has increased the number of available beds and allowed inmates to have quicker access to treatment rather than waiting in prison for a state-funded residential bed to become available.

Program Cost Shift to Federal Funds ***(\$674,075)***

The Budget shifts the remaining funding for the State’s substance abuse task forces of \$500,000 from general revenue to the substance abuse block grant, for total federal funding for this program of \$900,000. It also shifts \$174,075 for other state-supported behavioral health programs to federal block grant funds.

Reduction of Select Contracts ***(\$467,000)***

The Budget as Enacted discontinues the general revenue funding of the following contracts for non-Medicaid behavioral health services as other sources of funding for these contracts is available.

- The Budget eliminates the \$40,000 per provider funding for adolescent residential funding for total savings of \$120,000. This state-only funding has been used to supplement the rates paid by Medicaid that providers have claimed are inadequate. Medicaid funding will continue to be available for these services.
- Support for the Rhode Island Council on Alcoholism Hotline is discontinued. With the establishment of the United Way’s 2-1-1 call center, a 24-hour service that connects people with social services offered by health and human service providers, government agencies and community-based organizations, the Department has determined that the hotline is no longer necessary. The Budget includes \$19,000 in general revenue savings.
- The Budget includes \$128,000 in general revenue savings by transferring the funding for the contract with the National Alliance on Mental Illness, Rhode Island (NAMI-RI) from general revenue to federal funds. NAMI-RI represents families affected by serious mental illnesses; its mission includes education, advocacy and research. The funds support the Family to Family peer-taught program for caregivers of individuals living with mental illness.
- A \$200,000 general revenue contract with The Providence Center that funds short-term residential beds for clients is eliminated. These services will now be provided to clients through the Medicaid benefit.

Emergency Room Diversion Pilot Program ***(\$250,000)***

The Budget removes the one-time \$250,000 appropriation included in the FY2014 Budget as Enacted that was to establish a pilot program that diverts chronic inebriates from frequent non-emergency use of hospital emergency departments (ED) and instead transports them to a sobering center for short-term recovery programs, detoxification services and/or referral arrangements.

The Department has indicated that Substance Abuse Block Grant funds may be available to fund the pilot in FY2015.

This pilot program is a result of the findings and recommendations of the Special Senate Commission to Study Rhode Island Emergency Department Room Diversion. The Commission found that 4.0 percent of high utilization Medicaid ED users accounted for over 40.0 percent of Medicaid ED costs, or more than

\$20.0 million in 2008. Likewise, the City of Providence, which ranks first among RI municipalities for rescue runs (244 runs per 1,000 residents), estimated that only approximately 10.0 percent of ambulance transports were for actual medical emergencies.

The program, Sobering Treatment Opportunity Program (STOP), is modeled after those in existence in other cities across the country, including Boston. Under STOP, first responders will be authorized to transport inebriated individuals to an alternative treatment center where licensed clinical staff and peer specialists will be utilized and where length of stay is typically 48 to 72 hours.

Community Service Grant

\$50,000

The Budget as Enacted adds \$50,000 general revenue to the behavioral healthcare services program for a community service objective grant to RI Communities United for Addiction Recovery Efforts, an advocacy group for those in recovery from substance abuse disorders.

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 development disabilities. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations: the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital has two campuses: the larger, at the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on surgical services and long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

For FY2015, the Budget as Enacted authorizes 908.0 FTE positions, an increase of 1.0 FTE position transferred from another program within the Department.

Hospital and Community Rehabilitation Services	General Revenue
FY2014 Enacted	\$50,544,930
<i>Target and Other Adjustments</i>	<i>143,527</i>
Personnel	1,450,000
Increase in Third Party Billing	(843,200)
Eleanor Slater Hospital License Fee	668,086
FY2015 Enacted	\$51,963,343

Personnel

\$1.5 million

The Budget makes two adjustments to personnel funding in FY2015, adding a total of \$1.5 million general revenue (\$3.0 million all funds) to the program. First, the Budget restores general revenue turnover savings of \$350,000 (\$700,000 all funds) that were included in the FY2014 Budget as Enacted but unachievable due to the 24/7 nature of the hospital's operation.

Additionally, to offset increased personnel costs that would have required the Department to leave positions vacant and increase overtime expenses at the Department's 24/7 operations, the Budget adds \$1.1 million in general revenue (\$2.2 million all funds).

Increase in Third-Party Billing

(\$843,200)

The Budget includes savings from increased third-party billing for services performed by physicians at Eleanor Slater Hospital. These services, which are now billed through Medicaid, are funded at the State's regular FMAP. Through this initiative, the Department will seek to identify services that are covered by other forms of insurance that patients may have, primarily Medicare, which is entirely federally funded, and bill these insurers rather than Medicaid. The increase in billing will increase restricted receipts, which will then be used to offset general revenue personnel expenses.

Eleanor Slater Hospital Licensing Fee **\$668,086**

The Budget increases general revenue by \$668,086 (\$1.2 million all funds) due to an increase in the hospital licensing fee for Eleanor Slater Hospital. For FY2015, the Budget includes a 5.703 percent hospital licensing fee on the hospital's FY2013 net patient revenue.

Personnel - Restoration of Turnover Savings **\$350,000****CAPITAL PROJECTS**

The Budget as Enacted provides funding for 11 projects totaling \$7.2 million from all sources for FY2015. These projects include:

- Renovations to the BHDDH Administrative buildings by \$700,000, including an additional \$300,000 in both FY2014 and FY2015.
- Continued upgrades to the existing fire alarm and sprinkler systems in community residences for both individuals with developmental disabilities (\$750,000) and behavioral health needs (\$800,000)
- \$8.0 million in FY2015 through FY2019 for HVAC upgrades and repair of other environmental deficiencies in both Barry and Simpson Halls.

Notably, the Budget as Enacted does not provide current year funding for the hospital consolidation project, the largest project included in the Department's capital request. Funding was delayed to allow the Department and OHHS to reevaluate strategic hospital expansion.

Though the project originally involved the restructuring of the Eleanor Slater Hospital through the renovation of the Mathias and Varley buildings, the current project proposes construction of a new facility. This new structure will consolidate the Pastore Center hospital system, which is currently scattered throughout the complex, into one building, making operations more efficient and cost effective. Project costs have increased due to new federal guidelines which require additional rooms and spaces be added to the facility's footprint as well as to rising Rhode Island construction costs.

This project was initially funded in FY2007 with \$3.4 million to refurbish aging buildings. For FY2011, the project changed to include demolition of the existing buildings and construction a new building and was funded with \$28.3 million. In FY2012, project costs were raised to \$38.4 million and included a project manager. In the FY2015 capital plan, the project cost increased to \$41.6 million due to new federal guidelines that require additional rooms and spaces be added to the facility's footprint as well as to rising Rhode Island construction costs. The June 2014 change order request revised costs to \$57.6 million.

The Department reports that approximately \$2.1 million has been spent to date on the design and regulatory approvals for the project. The RICAP plan includes \$10.0 million in FY2018 and \$20.0 million in FY2019.

The project was scheduled for completion in FY2017.

Governor's Commission on Disabilities

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Governor's Commission on Disabilities	\$447,357	\$1,455,336	\$1,078,612	(\$376,724)	-25.9%	\$1,508,802	\$53,466	3.7%
Expenditures by Source								
General Revenue	\$337,427	\$357,711	\$356,352	(\$1,359)	-0.4%	\$358,275	\$564	0.2%
Federal Funds	101,893	129,989	156,330	26,341	20.3%	141,350	11,361	8.7%
Restricted Receipts	5,217	10,365	15,930	5,565	53.7%	9,177	(1,188)	-11.5%
Other Funds	2,820	957,271	550,000	(407,271)	-42.5%	1,000,000	42,729	4.5%
Total	\$447,357	\$1,455,336	\$1,078,612	(\$376,724)	-25.9%	\$1,508,802	\$53,466	3.7%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	3.0	-	0.0%

The Governor's Commission on Disabilities advocates for people with disabilities, expands economic opportunities for businesses owned by or employing people with disabilities and their families, and ensures that people with disabilities have access to government. The Commission is responsible for coordinating compliance by state agencies with federal and State disability rights laws.

Consistent with the enacted level, the Budget funds 3.0 FTE positions in the FY2014 revised and FY2015 budgets.

Governor's Commission on Disabilities	General Revenue
FY2014 Enacted	\$357,711
<i>Target and Other Adjustments</i>	564
FY2015 Enacted	\$358,275

CAPITAL PROJECTS

The Governor's Commission on Disabilities coordinates the expenditure of capital improvement funding for projects to bring State governmental facilities into compliance with the Americans with Disabilities Act (ADA). The Commission notes in its FY2015 capital plan request that the projects and recommended funding levels are the result of an engineering study completed in FY2012 of all state-owned facilities that identified ADA non-compliance, including safety issues and accessibility barriers. According to the Commission, it is estimated to cost \$45.2 million to bring the State into full compliance with the ADA.

The Budget provides \$8.1 million in Rhode Island Capital Plan (RICAP) funds from FY2014 through FY2019, including \$1.0 million in FY2015 to expand handicapped accessibility throughout the State and ensure ADA compliance. This includes funds to improve or expand handicapped accessibility at the State House; fire safety improvements at the Pastore Center; and classroom renovations and parking improvements to increase access to higher education for the disabled at both the University of Rhode Island and Rhode Island College.

Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
Commission on the Deaf and Hard of Hearing	\$371,083	\$471,609	\$469,267	(\$2,342) -0.5%	\$474,279	\$2,670 0.6%
Expenditures by Source						
General Revenue	\$371,083	\$391,609	\$389,267	(\$2,342) -0.6%	\$394,279	\$2,670 0.7%
Restricted Receipts	-	80,000	80,000	- -	80,000	- -
Total	\$371,083	\$471,609	\$469,267	(\$2,342) -0.5%	\$474,279	\$2,670 0.6%
Authorized FTE Levels	3.0	3.0	3.0	- 0.0%	3.0	- 0.0%

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and recommends programs and legislation to enhance cooperation and coordination among agencies and organizations that now serve, or have the potential to serve, the deaf and hard of hearing.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget funds 3.0 FTE positions in FY2014 and FY2015 for the CDHH, consistent with the enacted level. The Budget does not include any major adjustments from the FY2014 enacted level for FY2015; however, some expenditure modifications are made to reflect actual experience in FY2014 for contracted interpreters and translators, including staff for public hearings. According to the Budget Office, this use of contract staff continues to be more cost-effective than hiring in-house state employees to fulfill this role.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2014 Enacted	\$391,609
<i>Target and Other Adjustments</i>	<i>2,670</i>
FY2015 Enacted	\$394,279

	Other Fund Changes
Emergency and Public Communications Access Program	Informational
Emergency and Public Communications Access Program (restricted receipts)	Informational

The FY2014 Budget as Enacted established the Emergency and Public Communications Access Program (EPCAP) to improve emergency communication and communication access within state departments, and to support emergency responder training. Annual operations of this program are funded by a transfer of \$80,000 in restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Budget maintains funding for the EPCAP at the current level of \$80,000, which includes \$40,000 for a contracted part-time program coordinator; \$20,500 for contract trainers and consultants; and \$19,500 for equipment, advertising, and other expenses. According to the Commission, a part-time contracted coordinator has been hired and planning for training for first responders is underway. However, only approximately half of the FY2014 appropriation was expended given delays in hiring and program implementation.

Office of the Child Advocate

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Child Advocate	\$610,133	\$648,648	\$625,477	(\$23,171)	-3.6%	\$661,817	\$13,169	2.0%
Expenditures by Source								
General Revenue	\$578,085	\$608,651	\$575,477	(\$33,174)	-5.5%	\$611,817	\$3,166	0.5%
Federal Funds	32,048	39,997	50,000	10,003	25.0%	50,000	10,003	25.0%
Total	\$610,133	\$648,648	\$625,477	(\$23,171)	-3.6%	\$661,817	\$13,169	2.0%
Authorized FTE Levels	5.8	6.0	6.0	-	0.0%	6.0	-	0.0%

The Office of the Child Advocate (OCA) protects the legal, civil and special rights of all children and youth involved in the care of the Department of Children, Youth and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance and advocacy.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget funds 6.0 FTE positions for the Office of the Child Advocate in FY2015, consistent with the enacted level. Despite the overall decrease in DCYF caseloads, the number of indicated cases of child abuse and neglect increased from 2,266 to 2,294 in 2013. The 2013 rate of indicated cases of child abuse and neglect in the State's four core cities (Central Falls, Pawtucket, Providence, and Woonsocket) was approximately 2.2 percent, or more than double the statewide rate of 1.0 percent of all children in Rhode Island.

The OCA seeks to prevent such cases by scrutinizing the manner in which the State protects and cares for children by examining system-wide issues and by taking any necessary action to protect the rights of children in DCYF care. Beginning in FY2012, the Office conducted a greater number of inspections of programs servicing DCYF youth after filling 1.0 Senior Monitor position. The Office had difficulty keeping pace with site reviews as this position was once again vacant from September 2013 until January 2014. According to the Office, regular site visits have resumed with the hiring of a new Senior Monitor.

Child Advocate	General Revenue
FY2014 Enacted	\$608,651
<i>Target and Other Adjustments</i>	1,444
Mileage Reimbursements and Parking	1,722
FY2015 Enacted	\$611,817

Mileage Reimbursements and Parking **\$1,722**

To accommodate for parking needs near a downtown Providence court house, and for mileage reimbursements for staff, the Budget adds \$1,722 in general revenue. Of this total, \$1,300 will be used for one rental parking space. According to the OCA, limited downtown parking has posed a challenge to OCA staff who frequent court on a daily basis. The Budget also adds approximately \$500 for mileage reimbursements for staff. OCA staff use personal vehicles to conduct site visits for both in and out-of-state facilities.

Office of the Mental Health Advocate

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Mental Health Advocate	\$340,722	\$486,144	\$483,716	(\$2,428)	-0.5%	\$495,010	\$8,866	1.8%
Expenditures by Source								
General Revenue	\$340,722	\$486,144	\$483,716	(\$2,428)	-0.5%	\$495,010	\$8,866	1.8%
Authorized FTE Levels	3.7	3.7	3.7	-	0.0%	3.7	-	0.0%

The Office of the Mental Health Advocate (OMHA) ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget funds 3.7 FTE positions in FY2014 and FY2015 for the Office. Beginning in 1991, Office staff has been reduced from 7.0 to 3.7 FTE positions. As a result, the Office has ceased performing regular compliance reviews of mental health facilities and licensed mental health group homes. It now investigates only when a compliant has been filed.

According to the Mental Health Advocate, in order to be fully-staffed and meet its statutory responsibilities (most significantly within its Compliance Review Unit), 1.0 social worker position and 0.3 staff attorney position (to transition a part time attorney to full time) at a cost of \$95,000 in FY2015 is needed. However, the Budget maintains the current FTE position level and does not include any staffing changes for FY2015.

Mental Health Advocate	General Revenue
FY2014 Enacted	\$486,144
<i>Target and Other Adjustments</i>	8,866
FY2015 Enacted	\$495,010

Elementary and Secondary Education

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Admin of the Comprehensive Education Strategy	\$237.2	\$252.0	\$252.7	\$0.7	0.3%	\$235.2	(\$16.7)	-6.6%
Central Falls	39.7	38.4	38.4	-	0.0%	39.0	0.6	1.6%
Davies Career and Technical School	16.1	17.8	19.8	2.0	11.4%	19.1	1.3	7.3%
School for the Deaf	6.7	6.8	7.0	0.2	2.9%	6.8	0.1	0.7%
Metropolitan Career and Technical School	14.4	14.6	18.0	3.4	23.3%	11.8	(2.8)	-19.4%
Education Aid	709.0	744.8	743.2	(1.6)	-0.2%	776.7	31.9	4.3%
School Construction Aid	72.0	69.9	67.7	(2.3)	-3.3%	67.9	(2.0)	-2.9%
Teacher Retirement	75.8	81.7	80.5	(1.1)	-1.4%	89.5	7.8	9.6%
Total	\$1,170.9	\$1,226.0	\$1,227.3	\$1.3	0.1%	\$1,246.1	\$20.1	1.6%
Expenditures by Source								
General Revenue	\$928.5	\$964.7	\$960.3	(\$4.4)	-0.5%	\$1,004.4	\$39.7	4.1%
Federal Funds	213.5	225.7	228.8	3.1	1.4%	208.5	(17.3)	-7.6%
Restricted Receipts	23.4	27.7	26.6	(1.1)	-3.8%	27.0	(0.7)	-2.5%
Other Funds	5.6	7.9	11.6	3.7	47.3%	6.2	(1.6)	-20.5%
Total	\$1,170.9	\$1,226.0	\$1,227.3	\$1.3	0.1%	\$1,246.1	\$20.1	1.6%
Authorized FTE Levels	357.4	357.4	357.4	-	0.0%	340.9	(16.5)	-4.6%

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

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget fully funds the fourth year of the education funding formula and categorical aid programs accounting for most of the \$39.7 million general revenue increase in FY2015. The local contribution to the statewide transportation contract decreases by \$1.6 million in both fiscal years, resulting in a reduction in restricted receipts. This adjustment corrects an error in the enacted budget and brings expenditures in line with the FY2013 closing. In FY2015, the restricted receipt decrease for transportation is partially offset by an increase of \$1.5 million in local tuition payments to Davies Career and Technical School.

The Budget includes a carry forward of RICAP funds from FY2013 into FY2014 to complete the construction of the East Bay Met School facility, the carry forward of asset protection at Davies into FY2014, and a delay in the transfer of the Woonsocket Career and Technical School to the City pushing project completion from FY2015 to FY2017 and delaying funding accordingly. The changes account for most of the other funds increase in FY2014 and decrease in FY2015.

Federal funding for Race to the Top (RTTT) was originally scheduled to end on September 23, 2014, resulting in a decrease in federal funding of \$12.2 million for the Department in FY2015 and to the districts of \$4.6 million. The Budget includes \$250,000 in general revenues to support ongoing RTTT projects; however, the specific use of these funds is left to the discretion of the Department.

Pursuant to Article 4 of the FY2013 Budget as Enacted, the Board of Regents and the Board of Governors for Higher Education were eliminated as of January 1, 2013, to be replaced by the Rhode

Island Board of Education. Article 20 of the FY2015 Budget establishes a new governance structure for the State's public education system from Pre-K through higher education. The Article redefines the duties and responsibilities of the Board of Education to those provided in RIGL 16-97-2, increase its membership from 11 to 17, and establish the Council on Pre K-12 Education and the Council on Postsecondary Education. The Council on Elementary and Secondary Education will be comprised of eight members, and will have the duties and responsibilities set forth in RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents.

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 includes 170.6 FTE positions in FY2014 and 154.3 FTE positions in FY2015 for the program. This represents a decrease of 16.3 FTE positions in FY2015 from the enacted level, reflecting the discontinuation of the federal Race to the Top program.

Administration of the Comprehensive Education Strategy	General Revenue
FY2014 Enacted	\$19,826,703
<i>Target and Other Adjustments</i>	<i>66,871</i>
Community Service Grants	450,000
Maintenance of Systems Built with federal Race to the Top Funds	250,000
Vision Services	(250,000)
Department of Justice Monitoring and Issue Resolution	125,000
Grant for Channel 36 Transition	(50,000)
Municipal Oversight (2.0 FTE positions)	Informational
FY2015 Enacted	\$20,418,574
Administration of the Comprehensive Education Strategy	Other Funds Changes
Race to the Top	(\$12,208,475)
Race to the Top Early Learning Challenge	1,261,408
Adult Education	(300,000)

Community Service Grants \$450,000

The Budget increases community service grants by \$450,000 reflecting a shift of grants between departments and to adjust the FY2015 base for one-time grants in the FY2014 Budget as Enacted. The Budget shifts \$500,000 from the University of Rhode Island (URI) to the Department for URI to support the JASON project's Science, Technology, Engineering and Mathematics (STEM) programs in Central Falls, Newport, Pawtucket, Providence, Smithfield, Westerly, West Warwick and Woonsocket. The increase is partially offset by a reduction of \$50,000 for a one-time grant in FY2014 to the East Providence High School for capital improvements to the gymnasium that was inadvertently carried into FY2015.

Maintenance of Systems Built with Federal Race to the Top Funds \$250,000

Federal funding for Race to the Top (RTTT) was originally scheduled to end on September 23, 2014, resulting in a decrease in federal funding of \$12.2 million for the Department in FY2015. In March, the grant was extended until July 1, 2015' however, adjustments were not made to the budget to reflect the new deadline. If necessary, the Department can get permission from the Budget Office to spend any

remaining federal funds in FY2015. Also, since the Department has 21 vacancies (as of June 16, 2014), the reduction of 16.3 FTE positions should not impact the program. Through this grant program, new investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation. The Budget includes an increase of \$250,000 in general revenues to support ongoing RTTT projects. The Department requested over \$2.0 million, and according to the Budget Office will have to prioritize the requested expenditures and determine how to spend the additional \$250,000 in general revenues. The Department's request included funding for 8.0 new FTE positions and support for struggling schools.

Vision Services

(\$250,000)

FY2015 is the second year in a three-year plan to shift the Department's share of the Vision Services Program to the districts. The savings estimated for FY2015 is \$250,000, for a total savings over the first two years of \$498,334. Total savings to the Department, upon full transition is estimated at \$745,000. The shift is consistent with the Department's original intent to move certain general revenue expenditures to the local education agencies (LEAs) and provide state support through the high-cost special education categorical fund. Located at Rhode Island College, the Vision and Education Services Program provides teaching and consultation services to children who are blind or visually impaired, their families, and educational staff within the school environment. The array of services available includes early intervention, orientation and mobility, and the instruction of specific compensatory skills to children from birth through age 21. In FY2013, the Department paid two-thirds of the service cost and the district paid one-third.

Department of Justice Monitoring and Issue Resolution

\$125,000

The Budget includes \$125,000 in general revenue for the Department's estimated share of costs associated with settlement and monitoring fees regarding the United States Department of Justice's (USDOJ) investigation into the Training Thru Placement program. In January of 2013, the USDOJ notified Rhode Island that an investigation had been initiated into whether the State had violated Title II of the Americans with Disabilities Act of 1990 which prohibits discrimination on the basis of disability in the services, programs, or activities of all State and local governments. The investigation is focused on the wages and conditions of people with disabilities working at the Training Thru Placement program housed at the Harold H. Birch Vocational Program at Mount Pleasant High School. In addition to investigating the Department, the USDOJ will investigate the Office of Health and Human Services, the Department of Human Services, the Department of Behavioral Health, Developmental Disabilities, and Hospitals, and a local school department. An interim agreement has been entered that settles the case as filed in federal court and requires the Department to carry out certain remedial actions to address the rights of people with disabilities to receive state- and city funded employment and daytime services in the broader community rather than in segregated facilities.

Grant for Channel 36 Transition

(\$50,000)

The FY2014 Budget as Enacted does not include any direct funding for the state Public Telecommunications Authority in FY2014. Instead, the FY2014 Budget as Enacted includes a \$300,000 grant to help transition the program and employees from the state Public Telecommunications Authority to the private, not-for-profit Rhode Island Public Broadcasting Service (PBS) Foundation. In FY2015, the grant is reduced by \$50,000 to \$250,000.

Municipal Oversight (2.0 FTE positions)

Informational

The FY2013 Budget as Enacted required the Department, in consultation with the Department of Municipal Finance, to monitor school district compliance with the approved budget model and best practices, conduct periodic reviews and analysis of district revenues and expenses, and identify districts

at risk of a year-end or structural deficit. The Budget did not provide additional FTE positions or funding for the monitoring function. The FY2013 Supplemental Budget provided the 2.0 FTE positions; however, neither the supplemental budget nor the FY2014 Budget as Enacted provided any additional funding for the positions. The Department was instructed to manage vacancies to realize the savings needed to fund the new positions. The Budget still does not provide specific funding for the positions in FY2015. The Department estimates the cost of the positions at \$194,156 in FY2015. The FY2015 Budget contains turnover savings of 1.5 percent, or \$190,863.

Race to the Top (federal funds)

(\$12.2 million)

Race to the Top is a \$4.3 billion education reform fund made available by the United States Department of Education (USDOE) as part of the American Recovery and Reinvestment Act (ARRA). Awards in the grant competition went to states that submitted plans for education reform. In August 2010, Rhode Island was one of ten states awarded a Race to the Top (RTTT) grant in the second phase of the competition, coming in fifth out of the 35 states, plus the District of Columbia, that applied. Rhode Island won \$75.0 million over four years to help transform education in the State. The RTTT grant is intended to accelerate Rhode Island student achievement by strengthening teachers, leaders and the systems that support them. New investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation.

Federal funding for Race to the Top (RTTT) was originally scheduled to expire on September 23, 2014, resulting in a decrease in federal funding of \$12.2 million for the Department in FY2015. In March, the grant was extended until July 1, 2015, however, adjustments were not made to the budget to reflect the new deadline. If necessary, the Department can get permission from the Budget Office to spend any remaining federal funds in FY2015. Also, since the Department has 21 vacancies (as of June 16, 2014), the reduction of 16.3 FTE positions should not impact the program.

Race to the Top - Early Learning Challenge Grant (federal funds)

\$1.3 million

In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. This program ends December 31, 2015.

The Budget includes \$5.4 million in FY2015 for this program, an increase of \$1.3 million from the FY2014 Budget as Enacted. The FY2013 Budget as Enacted included an additional 13.0 limited-term, federally-funded positions to be financed through this grant.

Adult Education (restricted receipts)

(\$300,000)

The FY2014 Budget as Enacted included \$3.8 million from the Governor's Workforce Board/Human Resource Investment Council (GWB/HRIC) to fund the Adult Literacy program from restricted receipts, a one-time increase of \$300,000. The Budget removes the \$300,000 that was carried into FY2015 in error. The funds provided from the GWB/HRIC were used according to the GWB's Strategic Workforce Plan and targeted to programs that offer contextualized instruction and prepare students to enter certificate programs, as well as teach the literacy and numeracy skills need to pass the General Educational Development (GED) test and receive a high school equivalency diploma.

CENTRAL FALLS SCHOOL DISTRICT

In 1991, it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. The school district was reorganized and has been under the control of the State Department of Elementary and Secondary Education since FY1993. The State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the new education funding formula. The Budget provides \$38.8 million for the Central Falls School Department in FY2015. This includes the formula distribution as well as \$1.8 million in funding through the Central Falls Stabilization Fund. (*See Education Aid in the Special Report section of this publication for further detail.*)

Central Falls	General Revenue
FY2014 Enacted	\$38,399,591
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<i>Target and Other Adjustments</i>	<i>610,992</i>
FY2015 Enacted	\$39,010,583

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it received its State funding as determined through the new funding formula. Sending districts pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation, upon full transition, is about \$450,000 annually and about \$360,000 in FY2015.

The Budget provides \$12.2 million in general revenue funding for the Davies Career and Technical School, a decrease of \$551,874 from the FY2014 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

The Budget includes 126.0 positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Davies Career & Technical School	General Revenue
FY2014 Enacted	\$12,792,048
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<i>Target and Other Adjustments</i>	<i>(551,874)</i>
FY2015 Enacted	\$12,240,174

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 \$5.9 million in general revenue funding for FY2015, and 60.0 FTE positions in FY2014 and FY2015 for the program. The funding represents a decrease of \$140,370, and the FTE positions are consistent with FY2014 Budget as Enacted.

Rhode Island School for the Deaf	General Revenue
FY2014 Enacted	\$6,070,194
<i>Target and Other Adjustments</i>	<i>(140,370)</i>
FY2015 Enacted	\$5,929,824

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Met School is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. Sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school provides a yellow bus for those students. The total estimated cost to the school is about \$177,000 annually.

The Budget provides \$10.5 million in general revenue funding for the Met, a decrease of \$583,689 from the FY2014 Budget as Enacted. (*See Education Aid in the Special Report section of this publication for further detail.*)

Metropolitan Career & Technical School	General Revenue
FY2014 Enacted	\$11,085,049
<i>Target and Other Adjustments</i>	<i>(583,689)</i>
FY2015 Enacted	\$10,501,360

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2014 Enacted	\$724,892,567
<i>Target and Other Adjustments</i>	-
Year 4 Funding Formula	31,878,068
Categorical Funds	3,087,840
Group Home Aid	(1,037,767)
Charter School Growth	Informational
FY2015 Enacted	\$758,820,708

Year 4 Funding Formula

\$31.9 million

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could

change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$8,966 in FY2015) and allocates this funding based on student enrollment. The formula also includes a single factor to adjust the core foundation amount to address the effects of poverty and other factors influencing educational needs. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, (\$3,586 in FY2015) for each student eligible for free or reduced lunch. The formula also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (*See Education Aid in the Special Report section of this publication.*)

The FY2015 Budget as Enacted includes an additional \$31.9 million to fund the fourth year of the funding formula, for a total of \$739.3 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. This amount also includes \$1.0 million for districts that may implement full-day kindergarten programs in FY2015. The Kindergarten Accessibility Act requires that beginning in school year 2014-2015 districts converting from a half-day to a full-day program are credited on a full-time basis in the RADM for the funding formula in the first year of enrollment. The aid will be distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations of RIGL 16-99-4.

The funding increase for the fourth year of the education funding formula for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$29.6 million. The difference is due to the decrease in funding to Central Falls (\$1.2 million), Davies (\$551,874), and the Met (\$583,689) in FY2015 relative to the FY2014 enacted level.

Categorical Funds

\$3.1 million

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. (*The Central Falls Stabilization Fund is addressed in the Central Falls section of this analysis.*)

The FY2015 Budget includes scheduled funding for all of these categories.

Categorical	Change from Enacted	Total Funding
Transportation	\$1.1	\$4.4
High-Cost Special Education	0.5	1.5
Career & Tech. Schools	0.5	3.5
Early Childhood	1.0	3.0
Regionalization Bonus	-	-
Total	\$3.1	\$12.3

\$ in millions.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.4 million in FY2015, an increase of \$1.1 million over the FY2014 Budget as Enacted.
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The state reimburses costs that

exceed five times the combined core instruction and student success factor funding (currently \$62,760 for FY2015). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$1.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.

- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools. The Budget funds this category at \$3.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$3.0 million in FY2015, an increase of \$1.0 million over the FY2014 Budget as Enacted.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. There is no funding for this categorical in FY2015, the fourth year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Group Homes

(\$1.0 million)

The FY2015 Budget includes \$6.1 million to fund group home beds. This is \$1.0 million less than the FY2014 Budget as Enacted, and represents a decrease of 19 beds (4.1 percent) system wide, a decrease of \$285,000. This reduction also includes a decrease of \$752,767, required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. This adjustment is shown in the group home aid category where it is easier to identify, rather than in the formula calculator. This is a new adjustment to comply with current law.

Group Home Aid

LEA	FY2014 Enacted	FY2014 Revised	FY2015 Governor Aid based on bed count	Number of Beds	Change from Enacted		Total Change	FY2015 Governor Total Aid
					Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		
Burrillville	\$330,000	\$330,000	\$300,000	(2)	(\$30,000)	(\$33,639)	(\$63,639)	\$266,361
Coventry	120,000	120,000	120,000	-	-	(12,117)	(12,117)	107,883
Cranston	60,000	60,000	60,000	-	-	(6,818)	(6,818)	53,182
East Providence	636,000	636,000	636,000	-	-	(60,725)	(60,725)	575,275
Johnston	120,000	120,000	-	(8)	(120,000)	-	(120,000)	-
Lincoln	135,000	135,000	135,000	-	-	(11,174)	(11,174)	123,826
Middletown	420,000	420,000	390,000	(2)	(30,000)	(15,344)	(45,344)	374,656
Newport	270,000	270,000	270,000	-	-	(15,086)	(15,086)	254,914
North Providence	240,000	240,000	240,000	-	-	(28,181)	(28,181)	211,819
North Smithfield	120,000	120,000	120,000	-	-	(9,022)	(9,022)	110,978
Pawtucket	735,000	735,000	735,000	-	-	(128,146)	(128,146)	606,854
Portsmouth	555,000	555,000	555,000	-	-	(7,524)	(7,524)	547,476
Providence	2,055,000	2,055,000	1,890,000	(11)	(165,000)	(348,093)	(513,093)	1,541,907
Smithfield	240,000	240,000	240,000	-	-	(6,247)	(6,247)	233,753
South Kingstown	315,000	315,000	315,000	-	-	(6,966)	(6,966)	308,034
Warwick	330,000	330,000	330,000	-	-	(28,530)	(28,530)	301,470
Woonsocket	120,000	120,000	120,000	-	-	(21,130)	(21,130)	98,870
Bristol-Warren	120,000	120,000	120,000	-	-	(5,267)	(5,267)	114,733
Exeter-West Greenwich ¹	210,000	270,000	270,000	4	60,000	(8,758)	51,242	261,242
Total	\$7,131,000	\$7,191,000	\$6,846,000	(19)	(\$285,000)	(\$752,767)	(\$1,037,767)	\$6,093,233

¹ The 4 bed increase was reported in the December 31, 2013, DCYF Group Home Report; and consequently, the \$60,000 increase in Group Home Aid will be applied to the FY2014 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

Charter School Growth**Informational**

The FY2015 Budget includes \$59.2 million for public charter schools, an increase of \$4.0 million from the FY2014 Budget as Enacted. The Budget includes the following charter school growth:

- Achievement First, which is located in Providence, currently enrolls 176 students from Cranston, North Providence, Providence and Warwick, will add a second grade (88 students).
- Highlander, which is located in Providence and enrolls 352 students, will add a tenth grade (40 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,020 students, will add a third and ninth grade (137 new students).
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 136 students, will add an eleventh grade (34 new students).
- Village Green, a virtual charter high school located in Providence currently enrolls 136 from around the state, will add an eleventh grade (28 new students).

Included in the increase is \$624,891 in funding for new charter schools scheduled to open in FY2015.

- Hope Academy, a mayoral academy that will be located in Providence and enroll students from North Providence and Providence, will have kindergarten through eighth grades, starting with 72 students in kindergarten and first grade and adding grades until reaching a maximum enrollment of 324 students.

- Southside Elementary, which will be located in and enroll students from Providence, will have kindergarten through fifth grades, starting with 24 students and adding grades until reaching a maximum enrollment of 144.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2015, the minimum state share is 35.0 percent for school districts and the maximum is 95.7 percent: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to re-finance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015.

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.

Housing Aid/ School Construction Aid	General Revenue
FY2014 Enacted	\$69,949,504
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<i>Target and Other Adjustments</i>	-
Housing Aid	(2,000,000)
FY2015 Enacted	\$67,949,504

Housing Aid**(\$2.0 million)**

The Budget reduces school housing aid by \$2.0 million in FY2015 to reflect recent expenditures. Similarly, the Budget reduces FY2014 aid by \$2.3 million from the FY2014 Budget as Enacted level.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2014 Enacted	\$81,691,253
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	7,836,724
Defined Contribution Plan	1,419
FY2015 Enacted	\$89,529,396

Defined Benefit Plan**\$7.8 million**

The Budget provides total funding of \$85.8 million for the state's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$7.8 million from FY2014 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund.

Defined Contribution Plan**\$1,419**

The 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 \$1,419 from FY2014 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contributions. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Budget includes a total of \$11.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2014 and \$5.9 million in FY2015, including:

- \$1.8 million in FY2014 and \$3.2 million in RICAP funding in FY2015 for capital repairs at five career and technical schools (Cranston, East Providence, Newport, Warwick, and Woonsocket).
- \$1.0 million in FY2014 and \$1.2 million in RICAP funding in FY2015 to replace and repair the HVAC system at the Davies Career and Technical School.
- \$1.3 million in FY2014 and \$1.2 million in RICAP funding in FY2015 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.
- \$5.5 million in total RICAP funding in FY2014 to complete the construction of the East Bay Metropolitan Regional Career and Technical.

Public Higher Education

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Office of the Postsecondary Commissioner ¹	\$9.9	\$11.2	\$10.0	(\$1.2)	-10.4%	\$9.7	(\$1.5)	-13.6%
University of Rhode Island	687.1	729.1	733.4	4.3	0.6%	743.6	14.5	2.0%
Rhode Island College	158.2	166.2	165.0	(1.2)	-0.7%	171.4	5.2	3.1%
Comm. College of Rhode Island	153.3	151.0	152.5	1.5	1.0%	156.2	5.2	3.4%
Total	\$1,008.4	\$1,057.5	\$1,060.9	\$3.4	0.3%	\$1,080.8	\$23.3	2.2%
Expenditures by Source								
General Revenue	\$172.7	\$180.0	\$178.9	(\$1.1)	-0.6%	\$191.0	\$10.9	6.1%
Federal Funds	4.0	6.2	5.0	(1.2)	-18.7%	5.1	(1.1)	-17.7%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.6	(0.1)	-8.3%
Other Funds	831.1	870.6	876.3	5.7	0.7%	884.1	13.5	1.6%
Total	\$1,008.4	\$1,057.5	\$1,060.9	\$3.4	0.3%	\$1,080.8	\$23.3	2.2%
Third Party Funded FTE	776.2	776.2	776.2	0.0	0.0%	750.8	(25.4)	-3.3%
Authorized FTE Levels	3,464.8	3,471.8	3,470.8	(1.0)	0.0%	3,496.2	24.4	0.7%
Total Authorized Positions	4,241.0	4,248.0	4,247.0	(1.0)	0.0%	4,247.0	(1.0)	0.0%

¹ Formerly the Office of Higher Education.

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The Board is not a department of state government, but rather an independent public corporation, which acts in concert and cooperation with the executive and legislative branches. The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted establishes the Council on Postsecondary Education, which will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget includes total funding of \$1,080.8 million, representing an increase of \$23.3 million (2.2 percent) over the FY2014 Budget as Enacted, including a general revenue increase of \$10.9 million (6.1 percent). Of the \$10.9 million general revenue increase, \$10.0 million is intended to ensure that each of the three institutions maintain tuition in the 2014/2015 academic year at the same level as the 2013/2014 academic year. The additional \$10.0 million is distributed as follows: \$5.3 million for URI, \$3.7 million for RIC, and \$1.0 million for CCRI. The institutions are also required to maintain internal student aid at the 2013/2014 academic year level.

Federal funds decrease in FY2015 by \$1.1 million from the FY2014 Budget as Enacted. Major changes include a decrease of \$1.0 million for the College Access Challenge Grant (from \$2.5 million to \$1.5 million), and a decrease of \$157,790 in the Gaining Early Awareness for Undergraduate Program.

Other funds increase by \$13.5 million and include Rhode Island Capital Plan Funds (RICAP) funds of \$8.9 million for an Electrical Substation at the URI (\$7.0 million) and for the modernization and rehabilitation of campus infrastructure at RIC (\$1.9 million).

Nursing Education Center (URI and RIC)

Article 4 of the FY2015 Budget as Enacted authorizes the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property (also referred to as the South Street Power Station or Dynamo House) in Providence for use as a Nursing Education Center by the University of Rhode Island (URI) and Rhode Island College (RIC). The lease will run for an initial term of fifteen years, with a two-year extension option, beginning from the date the two schools take possession of their sections of the building, which is anticipated to be July 2016.

Summary of Estimated State Costs

	Annual	Total
Base Rent	\$1,855,000	\$34,641,000
Tenant Improvement Rent	2,491,000	25,000,000
Board of Education Operating Expense	1,689,000	25,335,000
Total Estimated Cost*	\$6,035,000	\$84,976,000

**does not include parking*

- The Article authorizes the issuance of \$10.5 million in certificates of participation (COPs) over a ten-year period to support the acquisition of equipment needed to outfit the planned simulation labs.
- The Article also grants approval to fund the tenant improvements directly by the Board of Education if it is determined to be financially beneficial to do so (up to \$22.5 million over a 15-year term).
- The Article also contains a provision that the Board of Education will have an option to purchase the area that it leases for the Nursing Education Center at the end of lease year 6 and at the end of lease year 12.

URI College of Engineering – General Obligation Bond Referendum

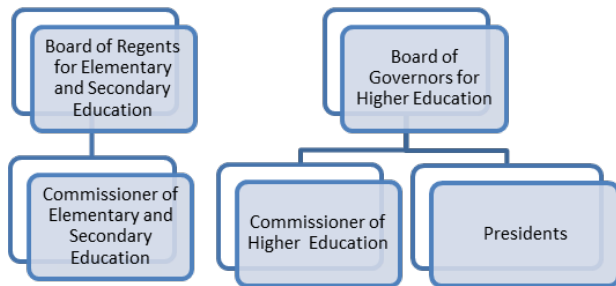
The Budget includes a general obligation bond referendum in November 2014 for \$125.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the removal of five URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, Kelly Annex, and Wales Hall), renovation to the Kirk Building, and construction of a new facility adjacent to the remaining buildings (Bliss Hall and Kirk Hall).

Higher Education Governance

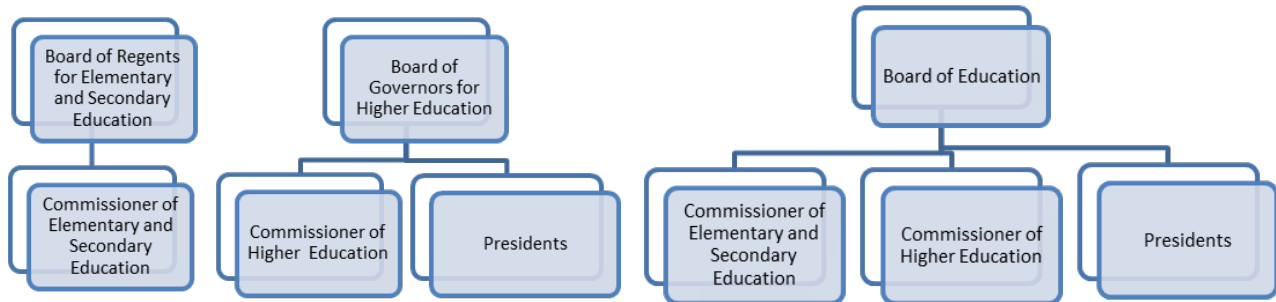
The FY2013 Budget as Enacted included language to enhance coordination between higher and lower education to close the skills gap and make high school and college graduates more competitive and marketable. The FY2013 Budget established a new Board of Education by January 1, 2013, and the current boards were abolished as of January 1, 2013. The legislation abolished the Office of Higher Education by July 1, 2014, and required the newly established Board of Education to submit a plan to the Governor and the General Assembly by July 1, 2013, restructuring the administration of higher education by distributing the assets and responsibilities of the current Office of Higher Education to the institutions of higher education.

In late December 2013, the Board submitted its restructuring plan to the Governor, and many of its recommendations are included in Article 20 of the FY2015 Budget.

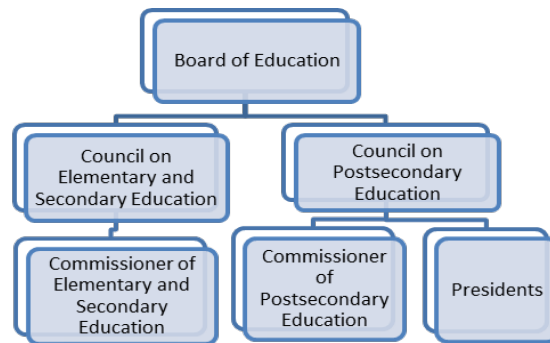
Pre-FY2013



FY2013 Budget as Enacted



Article 20 Changes to Education Governance Structure



In order to continue and complete the restructure of education governance, the Budget makes the following modifications to the changes enacted in FY2013:

Board of Education: Maintains a single Board of Education, increasing the current membership from 11 to 17, eight of whom shall be designated to serve on the Council on Elementary and Secondary Education and eight of who shall be designated to serve on the Council on Postsecondary Education. The Board will have powers and duties set forth in RIGL 16-97-1.2, including adopting a strategic plan and setting system-wide goals and priorities for the entire public education system, and holding the system accountable for performance. The Board of Education is responsible to coordinate and increase efficiencies throughout the education system so that workforce skills are strengthened. The Board will also provide leadership on issues such as:

- College and career readiness, focusing on reducing remedial instruction
- Implementation of Common Core Standards, especially teacher preparation, assessment and evaluations
- Driving policy to promote post-secondary success, e.g., dual enrollment, degree in 3, credit for work experience, performance and incentive financing
- Adult education and certificate programs offered by secondary schools and the community college

Councils: Creates the Council on Elementary and Secondary Education and the Council on Postsecondary Education, each comprised of eight members, who also serve on the Board of Education.

The Council on Elementary and Secondary Education will have duties and responsibilities per RIGL 16-60-1 and 16-60-4, much the same as the former Board of Regents for Elementary and Secondary Education. It will be required to formulate policy for early, elementary and secondary education including:

- Adopt standards
- Implement and enforce regulations
- Exercise general supervision over elementary and secondary education
- Distribute aid to local education authorities
- Appoint a Commissioner

The Council on Postsecondary Education will have duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education, including:

- Ensuring institutional accountability
- Supporting accreditation
- Granting tenure
- Appointing the Commissioner of Postsecondary Education and the college and university presidents
- Overseeing tuition, budget, and capital financing
- Assuring credit portability and recovery
- Promoting alignment and efficiencies among the institutions

Delegated Authority: Delegates the following responsibilities and duties, previously held by the Board of Governors for Higher Education, and later the responsibility of the Board of Education, to the State's public college and university presidents, consistent with shared governance practices, in conformity with 16-32-10:

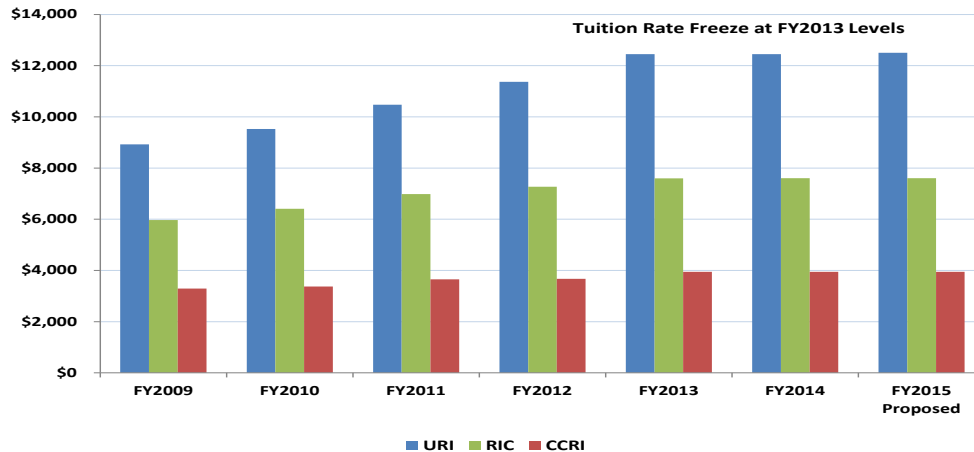
- Ability to create and consolidate departments, divisions, programs and courses of study within the school with the assistance of the Commissioner of Postsecondary Education
- Adopt a budget and submit it to the Council on Postsecondary Education
- Manage property
- Recommend tables or organization to the Council on Postsecondary Education
- Submit an annual report to the Office of the Postsecondary Education, for presentation to the Council for Postsecondary Education, which provides information regarding the tenure, ethnicity, rank and gender of the faculty. The report will also include a report on current student enrollments for each class at the school by race, gender, academic department, outreach program, guarantee admissions program and the current levels of funding and staff of support for each of these programs.

Office of the Postsecondary Commissioner: Creates an Office of the Postsecondary Commissioner to take the place of the Office of Higher Education, which will be abolished July 1, 2014. The Office will have the same duties and responsibilities as the Office of Higher Education, and the Budget includes 11.8 FTE positions and one position supported by third-party funds for the Office of Postsecondary Education, which is 1.0 FTE less than the staffing levels at the existing Office of Higher Education.

Tuition Revenue Trends

Actual tuition and fee rates, by institution, along with a projection for FY2014 and FY2015, are shown in the graph below.

In-State Undergraduate Tuition



Personnel

The Budget includes 4,247.0 FTE positions, which includes 750.8 third party funded positions, an overall decrease of 1.0 FTE position.

- The Budget shifts 19.4 FTE third-party funded positions to non-research positions at URI, including 5.0 FTE positions associated with the new Anna Fascitelli Fitness and Wellness Center, 1.0 Assistant to the Provost, 2.0 Lecturers, 3.0 Professors, 0.4 Housekeeper, 1.0 Coordinator G-010, and 7.0 FTEs for dining services. The intent is to provide FTE positions in general education, without increasing the overall FTE cap.
- The Budget shifts 6.0 FTE positions from third party funding to non-research positions at CCRI for 6.0 FTE to convert 6.0 adjunct faculty positions to full-time positions. The intent is to provide FTE positions in general education, without increasing the overall FTE cap.
- The Office of the Postsecondary Commissioner, which is created in Article 20 of the FY2015 Budget, replaces the Office of Higher Education, which is scheduled to be eliminated on July 1, 2014. The Budget includes 11.8 FTE positions and 1.0 third party funded position for this Office, or 1.0 FTE less than the staffing of the Office of Higher Education (1.0 Administrative Assistant position is eliminated).

Vacant Higher Education Positions

		FTE	FTE	FTE	FTE	LSE	LSE	LSE	LSE
		Authorized	Filled	Vacant	% Vacant	Authorized	Filled	Vacant	% Vacant
OHE	Jan-13	15.8	12.0	3.8	24.1%	1.0	0.0	1.0	100.0%
	Jan-14	12.8	10.0	2.8	21.9%	1.0	0.0	1.0	100.0%
URI	Jan-13	1857.3	1818.7	38.6	2.1%	593.2	477.4	115.8	19.5%
	Jan-14	1863.3	1828.7	34.6	1.9%	593.2	474.1	119.1	20.1%
RIC	Jan-13	837.6	805.4	32.2	3.8%	82.0	65.8	16.2	19.8%
	Jan-14	841.6	799.6	42.0	5.0%	82.0	6.6	75.4	92.0%
CCRI	Jan-13	754.1	699.6	54.5	7.2%	100.0	56.7	43.3	43.3%
	Jan-14	754.1	699.7	54.4	7.2%	100.0	56.5	43.5	43.5%
Total	Jan-13	3,464.8	3,335.7	129.1	3.7%	776.2	599.9	176.3	22.7%
	Jan-14	3,471.8	3,338.0	133.8	3.9%	776.2	537.2	239.0	30.8%

- Limited Service Employees (LSE), also referred to as Third Party Funded positions or sponsored positions, are funded through private, federal, and grant revenues. These positions are unique to the

Higher Education system. They typically have a higher vacancy rate because of the duration of grants that fund the positions and the uncertainty of employment on “soft money” (grant funding).

OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures by Source ¹	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Revenue	\$5.8	\$5.0	\$5.0	(\$0.0)	-0.1%	\$4.6	(\$0.4)	-8.6%
Federal Funds	4.0	6.2	5.0	(1.2)	-18.7%	5.1	(1.1)	-17.7%
Total	\$9.9	\$11.2	\$10.0	(\$1.2)	-10.4%	\$9.7	(\$1.5)	-13.6%

¹ The figures for FY2013 and FY2014 are for the Office of Higher Education, which is being replaced in FY2015 by the Office of the Postsecondary Commissioner.

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

The Office of the Postsecondary Commissioner, formerly the Office of Higher Education, houses the Commissioner of Higher Education, three Associate Commissioners, legal staff, financial and audit support, and several positions supporting specific programs, such as early college access and veterans affairs. The Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The FY2013 Budget as Enacted required the Board of Education to submit a plan to the Governor and the General Assembly restructuring the administration of higher education by distributing the assets and responsibilities of the Office of Higher Education to the institutions of higher education, thereby abolishing the Office of Higher Education by July 1, 2014. The FY2015 Budget proposal changes the name of the Office to the Office of the Postsecondary Commissioner but does not change the form or function of the Office.

Role and Function

A board with broad powers of oversight and coordination in the areas of finance, policy, and academics has existed in some form or another since 1939, when the Board of Trustees of State Colleges was established by the General Assembly. This oversight and coordination function is held by the Rhode Island Board of Education (BOE), which was created by the General Assembly in 2013. The Office of the Postsecondary Commissioner will be the administrative arm for the postsecondary functions of the Board of Education and is to be headed by the Commissioner of Postsecondary Education.

Office of the Postsecondary Commissioner	General Revenue
FY2014 Enacted	\$4,994,523
<i>Target and Other Adjustments</i>	59,972
Personnel	(500,000)
Grants - Best Buddies	11,775
FY2015 Enacted	\$4,566,270

Office of the Postsecondary Commissioner	Other Fund Changes
College Access Challenge Grant	(\$1,000,000)

Office of Postsecondary Education **(\$500,000)**

The Budget decreases funding for the Office of the Postsecondary Commissioner by \$500,000. At this time, a new Commissioner of Postsecondary Education has been hired, but is not expected to take office until late summer. In addition, several staff positions are currently vacant. The decrease reflects expenditure adjustments expected with the hiring of a new Commissioner in FY2015.

Community Service Grants – Best Buddies**\$11,775**

The Budget adds \$11,775 to the Best Buddies program. The goal of this program is the inclusion of disabled students with other students, in order to help them connect and bond over common interests.

College Access Challenge Grant (federal funds)**(\$1.0 million)**

The Budget includes \$1.5 million for the College Access Challenge Grant in FY2015, a decrease of \$1.0 million in federal funds from the FY2014 Budget as Enacted, based on projected expenditures. The grant funds are to provide professional development for school counselors, college admissions and financial aid administrators to increase postsecondary attainment for more students. This is the fourth year of funding for this five-year grant.

UNIVERSITY OF RHODE ISLAND

Expenditures by Source	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
General Revenue	\$78.6	\$85.7	\$85.2	(\$0.5)	-0.6%	\$91.2	\$5.5	6.5%
Other Funds	608.5	643.4	648.3	4.9	0.8%	652.4	8.9	1.4%
Total	\$687.1	\$729.1	\$733.4	\$4.3	0.6%	\$743.6	\$14.5	2.0%

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

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has three campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; and the Providence Campus, located in the Shepard Building on Washington Street in Providence.

University of Rhode Island	General Revenue
FY2014 Enacted	\$85,698,666
<i>Target and Other Adjustments</i>	<i>(62,736)</i>
Salaries, Wages and Benefits	3,878,128
Student Aid	1,717,910
College of Engineering	Informational
Enrollment	Informational
Tuition and Fees	Informational
FY2015 Enacted	\$91,231,968

Salaries, Wages and Benefits**\$3.9 million**

The Budget shifts 19.4 FTE third-party funded positions to non-research positions at URI, including 5.0 FTE positions associated with the new Anna Fascitelli Fitness and Wellness Center, 1.0 Assistant to the Provost, 2.0 Lecturers, 3.0 Professors, 0.4 Housekeeper, 1.0 Coordinator G-010, and 7.0 FTEs for dining services. The intent is to provide FTE positions in general education, without increasing the overall FTE cap. The Budget includes an additional \$3.9 million in general revenue for personnel costs (\$10.5 million

all funds), primarily representing \$2.1 million in salaries and wages, \$1.1 million in additional health care costs, and \$412,386 in additional retirement costs.

Student Aid

\$1.7 million

The Budget includes \$99.8 million (all funds) for student aid in FY2015, an increase of \$6.7 million above the FY2014 Budget as Enacted. This includes \$20.3 million in general revenue, an increase of \$1.7 million over the FY2014 Budget as Enacted, with the balance from other funds, including tuition and fee revenue. In an attempt to attract and retain its student population, institutionally-supported student aid has increased, indicated by a corresponding increase in student aid as a percentage of total tuition and fee revenue.

The Budget seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Budget requires the of each institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

Student Aid/Tuition and Fee Revenue						FY2015	FY2015
	FY2011	FY2012	FY2013	FY2014 Enacted	FY2015 Projected	Change from FY2011	Change from FY2014
Student Aid	\$69.2	\$77.3	\$83.8	\$93.0	\$99.8	\$30.6	\$6.7
Tuition and Fee Revenue	232.0	245.3	263.9	267.0	269.3	5.4	2.3
Student Aid as a % of							
Tuition and Fee Revenue	29.8%	31.5%	31.8%	34.8%	37.0%	-	-

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

URI College of Engineering – General Obligation Bond Referendum

The Budget includes a general obligation bond referendum in November 2014 for \$125.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the removal of five URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, Kelly Annex, and Wales Hall), renovation to the Kirk Building, and construction of a new facility adjacent to the remaining buildings (Bliss Hall and Kirk Hall).

Enrollment

Informational

Between FY2007 and FY2014, enrollment at URI has increased by 1,832.0 FTE students, or 14.4 percent. The increase in enrollment over the eight-year period averages 2.2 percent annually (1.8 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

URI Enrollment, 2007-2015 Projected

Year	Student FTE	FTE % Change	Student Headcount	Headcount % Change
2007	12,714	3.6%	15,046	2.5%
2008	13,351	5.0%	15,754	4.7%
2009	13,702	2.6%	15,956	1.3%
2010	14,206	3.7%	16,496	3.4%
2011	14,195	-0.1%	16,511	0.1%
2012	14,252	0.4%	16,563	0.3%
2013	14,315	0.4%	16,670	0.6%
2014 Projected	14,546	1.6%	16,850	1.1%
2015 Projected	14,447	-0.7%	16,742	-0.6%
8-Year Average	13,910	2.2%	16,231	1.8%

Tuition and Fees**Informational**

The Budget seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. Each higher education institution is required to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

URI Tuition & Fees, 2011-2015

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015	<i>Change from</i>	<i>Change from</i>
						<i>FY2011</i>	<i>FY2014</i>
In-State	\$10,476	\$11,366	\$12,450	\$12,450	\$12,506	\$2,030	\$56
Out-of-State	27,182	27,454	28,016	28,016	28,072	890	56
Graduate¹							
In-State	\$10,870	\$11,794	\$12,920	\$12,920	\$12,974	\$2,104	\$54
Out-of-State	24,250	24,492	24,994	24,994	25,048	798	54

¹ The Memorial Union Fee will increase \$4.00 per year for undergraduate students and \$2.00 per year for graduate students.

While the University is not requesting any tuition increases in FY2015, it plans to increase several mandatory and non-mandatory fees including: an increase of \$4 in the Student Union Fee, an increase of \$4 in the Health Services Fee, and a new \$48 Health and Wellness Center Fee. Also, the average cost for room and board will increase by \$166 per year. Auxiliary charges, including the Bookstore, Dining Services, Health Services, Housing and Residential Life, and Student Union fees are projected to generate \$93.2 million in revenue in FY2015.

RHODE ISLAND COLLEGE (RIC)

Expenditures by Source	FY2013	FY2014	FY2014	<i>Change from</i>	FY2015	<i>Change from</i>
	Actual	Enacted	Revised	<i>Enacted</i>		<i>Enacted</i>
General Revenue	\$41.7	\$42.9	\$42.4	(\$0.4)	\$47.4	\$4.5 10.4%
Other Funds and Transfers	116.6	123.3	122.5	(0.8)	124.0	0.7 0.6%
Total	\$158.2	\$166.2	\$165.0	(\$1.2)	\$171.4	\$5.2 3.1%

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

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor's and Master's level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Association of Schools and Colleges, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

Rhode Island College	General Revenue
FY2014 Enacted	\$42,891,874
<i>Target and Other Adjustments</i>	
	2,107,751
Personnel	2,361,774
Approved Bond Issues	Informational
Enrollment	Informational
Tuition and Fees	Informational
FY2015 Enacted	\$47,361,399

Personnel **\$2.4 million**

The FY2015 Budget proposal recommends an increase of \$2.4 million for personnel costs funded by general revenue. This includes \$1.7 million for salaries (predominantly in the temporary and seasonal job category), \$118,081 for health benefits, \$298,184 for retirement benefits, and \$215,479 in other personnel costs. The Budget does not include any new FTE positions for FY2015.

Approved Bond Issues **Informational**

In November 2012, voters approved a \$50.0 million general obligation bond referendum for capital improvements at Rhode Island College (RIC).

General obligation funds of \$44.7 million will be used to modernize and rehabilitate two major academic buildings (Craig Lee Hall, Gaige Hall). Design work is expected to be complete by Fall 2014. Proposed renovations include modern single pane window walls, elevators, restrooms, classrooms, corridors, staff offices, removal of asbestos tiles, exterior power washing and sealing of bricks and slate walls. All improvements will increase energy efficiency, the use of natural light, and the adaptability of the classrooms.

The remaining \$5.3 million of this bond issue will be used for an addition and renovations to the Fogarty Building to support the expanding Life Sciences program. The goal of the project is to provide adequate and up-to-date classrooms, laboratories and faculty offices. The renovation/addition work includes improvements to the building envelope, interior spaces, handicapped accessibility, and upgrades to the HVAC and electrical systems. Construction will begin in FY2015.

Enrollment **Informational**

Between FY2007 and FY2014, enrollment at RIC has increased by 279.0 FTE students, or 4.4 percent. Growth accelerated in the second half of the decade, peaking in FY2010; however, enrollment has decreased by 404 students, or 5.7 percent, since that time. The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

RIC Enrollment, 2007-2015 Projected					
Year	Student FTE	FTE % Change	Student Headcount	Headcount % Change	
2007	6,411	-3.2%	8,662	-0.4%	
2008	6,710	4.7%	8,800	1.6%	
2009	6,742	0.5%	8,790	-0.1%	
2010	7,094	5.2%	9,063	3.1%	
2011	7,006	-1.2%	8,990	-0.8%	
2012	6,886	-1.7%	9,095	1.2%	
2013	6,810	-1.1%	8,530	-6.2%	
2014 Projected	6,690	-1.8%	8,530	0.0%	
2015 Projected	6,690	0.0%	8,530	0.0%	
8-Year Average	6,794	0.2%	8,808	-0.2%	

Of the total FTE students enrolled in 2007, 5,916 (92.3 percent) were in-state students while 655 (7.7 percent) were out-of-state students. In 2014, 5860 (87.6 percent) were in-state students while 830 (12.4 percent) were out-of-state students.

Tuition and Fees

Informational

The Budget seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. Each higher education institution is required to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

RIC Tuition & Fees, 2011-2015

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015 Projected	Change from FY2011		Change from FY2014	
In-State	\$6,986	\$7,268	\$7,598	\$7,602	\$7,602	\$616	8.8%	\$0	0.0%
Out-of-State	16,878	17,554	18,296	18,300	18,300	1,422	8.4%	\$0	0.0%
Graduate									
In-State	\$6,674	\$6,962	\$7,250	\$7,250	\$7,250	\$576	8.6%	\$0	0.0%
Out-of-State	12,578	13,082	13,586	13,586	13,586	1,008	8.0%	\$0	0.0%

The Governor's FY2015 Budget proposal does not include an increase in tuition or fees at Rhode Island College, either for in-state or out-of-state students, undergraduate or graduate students. However, the cost for a meal plan will increase by \$120 per year and room rates will increase by \$163 to \$188, depending on the residence.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures by Source	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
General Revenue	\$46.6	\$46.4	\$46.3	(\$0.2)	-0.3%	\$47.8	\$1.4	2.9%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.6	(0.1)	-8.3%
Other Funds	106.1	103.9	105.5	1.6	1.5%	107.7	3.9	3.7%
Total	\$153.3	\$151.0	\$152.5	\$1.5	1.0%	\$156.2	\$5.2	3.4%

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

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Shepard Building in downtown Providence and at Westerly Middle School.

Community College of Rhode Island	General Revenue
FY2014 Enacted	\$46,428,732
<i>Target and Other Adjustments</i>	<i>(581,941)</i>
Personnel	1,948,483
Enrollment	Informational
Tuition and Fees	Informational
FY2015 Enacted	\$47,795,274

Personnel**\$1.9 million**

The Budget shifts 6.0 FTE positions from third party funding to non-research positions at CCRI for 6.0 FTE to convert 6.0 adjunct faculty positions to full-time positions. The intent is to provide FTE positions in general education, without increasing the overall FTE cap.

The Budget adds \$1.9 million in general revenue for personnel costs (\$2.9 million all funds), including \$499,980 to fund the additional 6.0 FTE positions, and an additional \$1.0 million for step increases and other contractual obligations. Healthcare and retirement costs increase by \$462,666.

Enrollment**Informational**

Between FY2007 and FY2014, enrollment at CCRI increased by 950.0 FTE students, or 9.9 percent. The increase in enrollment over the eight-year period averages 1.8 percent annually (1.7 percent based on actual headcount). The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2013, and a projection for 2014 and 2015.

Year	Student FTE	FTE % Change	Student Headcount	Headcount % Change
2007	9,641	4.9%	15,739	2.7%
2008	10,059	4.3%	16,369	4.0%
2009	10,330	2.7%	16,810	2.7%
2010	10,771	4.3%	17,476	4.0%
2011	10,523	-2.3%	16,810	-3.8%
2012	10,591	0.6%	17,116	1.8%
2013	10,523	-0.6%	17,226	0.6%
2014 Projected	10,591	0.6%	17,541	1.8%
2015 Projected	10,498	-0.9%	17,543	0.0%
8-Year Average	10,379	1.8%	16,886	1.7%

Tuition and Fees**Informational**

The Budget seeks to ensure that financial aid is maintained at the same ratio to tuition in the 2014/2015 academic year as in the 2013/2014 academic year. The Budget requires each higher education institution to report to the Board of Education, prior to the commencement of the 2014/2015 academic year, that the tuition charges and the internal student aid levels have been maintained at the 2013/2014 academic year levels.

Undergraduate	FY2011	FY2012	FY2013	FY2014	FY2015	Change from	Change from
						FY2011	FY2014
In-State	\$3,652	\$3,676	\$3,950	\$3,950	\$3,950	\$298	\$0
Out-of-State	9,792	9,816	10,582	10,582	10,582	790	-

For FY2015, tuition and fees at CCRI will remain at the FY2014 rate. Given the statistically insignificant number of out-of-state students at CCRI, the in-state tuition increase represents the true cost of a CCRI education.

CAPITAL PROJECTS

In addition to the projects financed with bond issues mentioned above, there are a number of significant capital projects in Higher Education in FY2015.

URI, RIC, CCRI – Asset Protection

Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on

current priorities. The Budget includes a total of \$77.4 million in asset protection funding for URI, RIC, and CCRI from FY2014 to FY2019.

University of Rhode Island

Electrical Substation

The Budget includes an increase in RICAP expenditures of \$7.0 million in FY2015 to finance improvements to the Kingston Campus electrical substations. The existing substations, which are well beyond their service life, supply power to the main academic/research area of the campus and a majority of the housing and residential life sector.

Approved Bond Issue – Chemistry Building

In November 2010, the voters approved a \$61.0 million general obligation bond issue to design and construct a new building to house the Department of Chemistry, accommodating teaching labs and classrooms, research labs, and faculty and administrative offices. The \$61.0 million G.O. bonds will be distributed as \$19.9 million in FY2014, \$37.9 million in FY2015, and \$2.9 million in FY2016. \$308,539 was spent on this project prior to FY2014. Construction is underway, with a scheduled completion date of Spring 2016.

Fire Safety and Protection Academic and Administrative Buildings: The Budget includes \$10.1 million in FY2014 and \$3.3 million in FY2015 in RICAP funding to install sprinkler systems and upgrade existing fire alarm systems in all of the University's academic and administrative buildings and administrative buildings in order to comply with the State Fire Code.

University Inn, Admissions, Housing and Retail: The Budget includes \$57.0 million in third party financing and \$2.2 million in University funds, beginning in FY2015, to develop a mixed use University Inn on the east side of Upper College Road, including facilities for a 100 bed hotel, 20 two-bedroom apartments, a restaurant/University Club, a retail bookstore, conference space, and University Admissions public spaces.

Rhode Island College

Infrastructure Modernization: The Budget includes RICAP funds and College Funds to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. The project expends \$18.7 million in RICAP funds and \$189,260 in University/College Funds through FY2019.

Energy Performance Contract: The Budget includes \$7.5 million in Certificates of Participation (COPs) from FY2013 through FY2015 and \$200,000 in University Funds in FY2014 for projects related to an Energy Performance Contract with an Energy Service Company (ESCO) to purchase energy saving improvements for buildings and infrastructure.

Community College of Rhode Island

Knight Campus Renewal: The Budget includes a total of \$20.1 million in RICAP funding from FY2014 through FY2018 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile.

Rhode Island State Council on the Arts

Expenditures by Program	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted	%	Enacted	from Enacted	%
State Council on the Arts	\$1,935,530	\$1,853,838	\$1,835,150	(\$18,688)	-1.0%	\$1,860,385	\$6,547	0.4%
Grants Program	1,159,157	911,657	904,574	(7,083.00)	-0.8%	1,054,574	142,917	15.7%
Total	\$3,094,687	\$2,765,495	\$2,739,724	(\$25,771)	-0.9%	\$2,914,959	\$149,464	5.4%

Expenditures by Source								
	FY2013	FY2014	FY2014	Change		FY2015	Change	
	Actual	Enacted	Revised	from Enacted	%	Enacted	from Enacted	%
General Revenue	\$1,561,217	\$1,335,630	\$1,310,508	(\$25,122)	-1.9%	\$1,483,075	\$147,445	11.0%
Federal Funds	713,635	797,329	796,680	(649)	-0.1%	799,348	2,019	0.3%
Other Funds	819,835	632,536	632,536	0	0.0%	632,536	0	0.0%
Total	\$3,094,687	\$2,765,495	\$2,739,724	(\$25,771)	-0.9%	\$2,914,959	\$149,464	5.4%

Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	6.0	-	0.0%
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The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget as Enacted further develops the State's creative economy through Article 5, which authorizes a \$30.0 million bond referendum establishing the Cultural Arts and the Economy Grant Program. RISCA will administer this new program that will provide \$23.1 million in 1:1 matching grants to specified arts organizations as noted below. Article 5 also creates a \$6.9 million grant pool for the capital improvement, preservation and renovation of other public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers.

Cultural Arts and the Economy Grant Program	Location	Grant
Trinity Repertory Company	Providence	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	2.4
Newport Performing Arts Center	Newport	4.2
WaterFire Providence	Providence	3.2
Westerly Land Trust/United Theater	Westerly	2.4
Stadium Theater	Woonsocket	2.1
AS220	Providence	2.1
Chorus of Westerly	Westerly	1.1
2nd Story Theater	Warren	1.1
Total Projects		\$23.1
Pool fund		6.9
Total		\$30.0

\$ in millions

The Budget as Enacted authorizes 6.0 FTE positions for RISCA in FY2015, consistent with FY2014.

RI State Council on the Arts	General Revenue
FY2014 Enacted	\$1,335,630
<i>Target and Other Adjustments</i>	<i>(2,555)</i>
Waterfire Providence - Community Service Grant	150,000
1.0 Percent for Public Art Program	Informational
FY2015 Enacted	\$1,483,075

Waterfire Providence – Community Service Grant **\$150,000**

The Budget as Enacted includes \$150,000 in additional grant funding for Waterfire Providence, bringing total Waterfire community service grants to \$375,000.

1% for Public Art Program

Informational

The Rhode Island State Council on the Arts administers the State's 1% for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1 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	Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
<i>Current Projects (Budget)</i>		
Intermodal Station	Warwick	300,000
Wickford Junction	Wickford	350,000
URI - Biotechnology and Life Sciences	Kingston	651,000
Rhode Island College - Art Center	Providence	170,000
Met School	Providence	78,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Veterans Home	Bristol	700,000
Total		\$3,747,020

Rhode Island Atomic Energy Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Atomic Energy Commission	\$1,230,680	\$1,436,731	\$1,225,471	(\$211,260)	-14.7%	\$1,271,174	(\$165,557)	-11.5%
Expenditures by Source								
General Revenue	\$829,034	\$861,710	\$856,770	(\$4,940)	-0.6%	\$913,197	\$51,487	6.0%
Federal Funds	132,451	267,044	60,724	(206,320)	-77.3%	-	(267,044)	-100.0%
Other Funds	269,195	307,977	307,977	-	0.0%	357,977	50,000	16.23%
Total	\$1,230,680	\$1,436,731	\$1,225,471	(\$211,260)	-17.2%	\$1,271,174	(\$165,557)	-11.5%
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	-	0.0%

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study that enrolls about 80 students per year. It has plans to create a full nuclear engineering degree program.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 budget decreases federal funds primarily due to the loss of the U.S. Department of Energy's Nuclear Energy University Programs (NEUP) grant, which has provided a total of approximately \$500,000 over the past five years to upgrade the facility's instrumentation. This reduction will not impact the Commission's day to day operations.

A recent assessment of the facility performed through the Nuclear Regulatory Commission's Global Threat Reduction Initiative determined that an upgrade to the Commission's IT system is required in order to install video security equipment and harden the nuclear reactor facilities against threats. The FY2014 revised budget includes \$10,000 in new federal funds towards this upgrade.

The Commission continues the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission claims that further budgetary cuts would jeopardize the safe operation of the facility and invalidate its response to the NRC regarding adequate operational funding.

The Commission's current license remains in effect until the new license is approved. To ensure safety, the NRC inspects the facility twice per year, and it has not identified any significant problems during these inspections. The Commission anticipates the renewal process will be complete the end of the calendar year.

Analyst's Note: Should the Commission not receive funding sufficient to safely operate the facility and the NRC reject the Agency's application, the reactor would have to be decommissioned at a cost to the State estimated to be \$30.0 million. Furthermore, the Commission is unsure whether a complete decommission is even possible at this time since some of its waste is "mixed waste" for which there is currently no place for disposal.

The Budget authorizes 8.6 FTE positions in FY2014 and FY2015 for the program, 2.6 of which are funded through URI for its radiation safety functions and URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

CAPITAL PROJECTS

The Budget includes \$50,000 in RICAP-funded asset protection projects for FY2014 and FY2015. Projects include driveway and landscaping improvements in order to assure access to the cooling towers and emergency generator propane tanks. The Budget also includes a single RICAP appropriation of \$50,000 for FY2015 to upgrade the facility IT network to a secure system and to increase bandwidth to accommodate significantly increased data transfer.

Higher Education Assistance Authority

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Higher Education Assistance Authority	\$25.1	\$26.8	\$25.0	(\$1.8)	6.7%	\$23.9	(\$2.8)	-10.5%
Expenditures by Source								
General Revenue	\$5.7	\$4.3	\$4.3	\$0.1	8.9%	\$0.1	(\$4.1)	-96.6%
Federal Funds	11.0	13.3	12.3	(1.0)	9.4%	15.5	2.2	16.5%
Other Funds	8.4	9.2	8.3	(0.9)	0.0%	8.3	(0.9)	-9.5%
Total	\$25.1	\$26.8	\$25.0	(\$1.8)	6.7%	\$23.9	(\$2.8)	-10.5%
Authorized FTE Levels	36.0	23.0	23.0	-	0.0%	22.0	(1.0)	-4.3%

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

The Rhode Island Higher Education Assistance Authority (HEAA) was created in 1977 to provide a system of financial assistance programs to promote opportunities for post-secondary education by providing grants and loans to qualified students. The Authority administers three major programs:

The Scholarship and Grant Program: The Scholarship and Grant Program is a need-based program that uses data submitted on the Free Application for Federal Student Aid (FAFSA) to determine eligibility. This program has historically been funded primarily with general revenue appropriations, but since FY2006, revenues from fees relating to the establishment and administration of CollegeBoundfund (CBf) accounts (other funds) have supplemented this program.

The Authority draws from a pool of more than 40,000 applications through the Free Application for Federal Student Aid (FAFSA) process, of whom more than two-thirds will qualify for some type of need-based assistance. Families and students complete FAFSA applications between November and March each year, and generally do not know at that time which college a student will attend when the form is completed.

In FY2015, the Authority expects to award State grants to approximately 19,000 students, up to a maximum grant of \$750. In FY2013 and continuing through to FY2015, there has been no sizable increase in eligible applicants for scholarship.

The CollegeBoundfund (CBf) Program: This program includes the CollegeBoundfund, the Academic Promise Scholarship Program, and the CollegeBoundfund 5&10 Matching Grant Program. The CollegeBoundfund (CBf) is a “qualified state tuition program” under section 529 of the IRS code. The program encourages qualified students, parents, and others responsible for paying the cost of higher education to plan for college by investing contributions that grow tax-free each year. Earnings are exempt from federal and state income tax for Rhode Island residents if used for qualified education-related expenses. As of June 20, 2014, nationally there were 426,888 accounts worth \$7.9 billion. Rhode Island’s share of these accounts, 25,428 (6.0 percent), are worth more than \$360.0 million.

The Loan Program: This program includes the Federal Family Education Loan Program (FFELP) and the Health Professions Contract Program. New loans under the FFELP program are gradually being phased out due to a change in federal laws, but the program will continue to pursue loan collections activities, including enrollment and repayment status management, default aversion activities, default collection activities, financial aid awareness and related outreach activities. In addition, changes in federal law will reduce the amount the agency will receive in default aversion activities. The reduced fees will begin on July 1, 2014, and will reduce the agency’s funding by approximately 40.0 percent.

RIHEAA initiated the WaytogoRI web portal, which is free to all Rhode Island residents, all elementary and secondary schools (public, private and parochial) and postsecondary institutions. WaytogoRI allows

students, parents, and educators to explore education and career options, plan and prepare for college and careers, and conduct college and career searches. WaytogoRI also supports Individual Learning Plans (ILPs), which is required for all Rhode Island public school students from grades 6-12, and allows for e-transcripts.

MAJOR ISSUES AND TRENDS FOR FY2015

Article 14 of the FY2015 Budget as Enacted includes a provision that will require the Governor to include a proposal for the transfer of Higher Education Assistance Authority's program to appropriate agencies within state government in the FY2016 budget recommendation.

RIHEAA's ability to continue as a stand-alone agency is jeopardized by recent changes in federal law. On March 3, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010. The Act made changes to student financial assistance programs, including a provision eliminating loan originations under Federal Family Education Loan Program (FFELP) effective July 1, 2010. As a result, all guaranteed student loans are now originated under the Federal Direct Loan Program.

Also, the Ryan-Murray budget agreement, passed by Congress in December 2013, reduces the compensation that the agency receives from rehabilitating loans from the FFELP program. The reduced fees will begin on July 1, 2014, and will reduce the agency's funding by approximately 40.0 percent. Based on projections provided by RIHEAA, the guaranty portion of the agency will experience a loss in FY2015.

RIHEAA's role as a guaranty agency in the FFELP constitutes its single largest activity; approximately 75.0 percent of the Authority's employees are allocated to the guaranty agency functions (17.0 FTE positions out of a total of 22.0 currently filled FTE positions). RIHEAA's guaranty loan operation receives over 90.0 percent of its net revenue from the collection and rehabilitation of defaulted loans that it has guaranteed. With the transition to the Federal Direct Loan program as the single originator of all guaranteed student loans, RIHEAA's services will eventually be eliminated. The Authority will continue to provide services for loans currently in its portfolio (including claims payments and reinsurance transactions, default prevention and aversion activities, and collection of defaulted student loans), it is difficult to predict the time period over which such services will be required, and to what extent those responsibilities would constitute a substantive activity for the Authority. RIHEAA is trying to determine a reasonable estimate of that time period. The agency had originally predicted that it would begin experiencing losses from the guaranty program in FY2016; however, in light of the December 2013 federal changes, RIHEAA is likely to experience a loss in FY2015 unless another revenue stream is identified.

Projection	RIHEAA Net Income (Loss) Projections ¹						
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
High ²	\$0	\$0	\$1,764,343	\$929,746	\$619,714	\$11,290	(\$420,305)
Base ³	2,922,870	2,063,925	1,191,852	409,757	87,316	(456,477)	(813,600)
Low ⁴	-	-	943,954	125,912	(256,396)	(788,336)	(1,114,775)

Does not include federal changes enacted in December 2013.

¹ Projections provided by RIHEAA at current staffing levels.

² Low projection - 15.0 percent default rate and 13.0 percent annual rehabilitation rate.

³ Base projection - 17.0 percent default rate and 15.0 percent annual rehabilitation rate.

⁴ High projection - 19.0 percent default rate and 18.0 percent annual rehabilitation rate.

Guaranty Agency Reserves (federal funds)**\$4.1 million**

The FY2015 Budget as Enacted requires the agency to fund \$4.1 million in needs-based scholarships and grants from its Guaranty Agency Reserve Fund. These funds will replace \$4.1 million in general revenue funds provided by the State for this purpose. The Rhode Island Higher Education Assistance Authority has an Operating Reserve Fund balance estimated at \$20.0 million. This fund has been accumulating over time as a result of unspent fees for administrative work of providing federal guarantees for student loans.

Uses of the Operating Fund are restricted by federal law to application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities, as selected by the guaranty agency.

Need Based Scholarships & Grants	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
General Revenue	\$5.2	\$4.1	\$4.2	\$0.1	1.2%	\$0.0	(\$4.1)	-100.0%
Tuition Savings Fees (CBf)	7.3	8.0	8.0	0.0	0.0%	8.0	0.0	0.0%
Guaranty Agency Reserves	-	-	-	-	0.0%	4.1	4.1	0.0%
Academic Promise	1.0	0.8	0.0	(0.8)	-100.0%	0.0	(0.8)	0.0%
Total	\$13.5	\$12.9	\$12.2	(\$0.7)	-5.4%	\$12.1	(\$0.8)	-5.8%

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

Need-based scholarships and grants are intended to provide higher education opportunities for students from low income households. RIHEAA makes this determination by reviewing information on all Rhode Island students made available from the Free Application for Federal Student Aid (FAFSA), a form that must be completed by all prospective college applicants.

Year	Students Eligible for	Students Receiving	Average Award
	Grants	Grants	
FY2011	34,448	16,767	\$751
FY2012	34,448	18,616	672
FY2013	35,702	19,097	606
FY2014	35,126	18,355	664
FY2015 (projection)	35,700	19,000	646

Academic Promise (other funds)**(\$800,000)**

The Academic Promise Program provides up to \$1.0 million annually for the benefit of academic and income-qualifying students. Recipients may receive up to \$2,500 per year to a maximum of four years for enrollment in an undergraduate program that leads to a degree or certificate at an accredited college, university, or post-secondary school. The scholarship is funded by proceeds from the CollegeBoundfund® 529 College Savings Program. In order to be eligible for the scholarships, the student must be a graduating high school senior who is planning to enroll in a postsecondary institution on a full-time basis, demonstrates academic promise and shows financial need. Eligibility is calculated using a formula that takes into account the student's expected family contribution as determined by the Free Application for Federal Student Aid and his/her score on a standardized college admission examination. The student with the highest ranking is offered the first scholarship; and additional scholarships are awarded, based on ranking, until 100 new scholarships are awarded. In order to remain eligible, a student must maintain certain cumulative grade point averages each year: Academic Promise Scholarship awards are available only to undergraduate students who have not yet achieved their first bachelor's degree. Students enrolled in graduate-level programs are not eligible. Funding for this program was not included in the Governor's FY2014 Revised or FY2015 Budget recommendation, and the General Assembly did not restore these funds.

Personnel (federal)**(\$500,000)**

The FY2015 Budget as Enacted decreases personnel costs by \$500,000 in federal funds, and reduces the FTE authorization from 23.0 FTEs to 22.0 FTEs, which is the number of currently filled positions. Beginning on July 1, 2014, changes to federal law will significantly reduce the compensation that the agency receives from rehabilitating loans, its major source of funding. The \$500,000 represents turnover savings from federal funds.

Analyst's Note: Senate Resolution 2014-S-3136 requests that the Higher Education Assistance Authority, in cooperation with the Governor's Workforce Board, undertake a comprehensive study regarding the establishment of a lifelong learning account program in Rhode Island. These savings accounts, also known as LiLAs, are state-administered savings accounts, owned by individual workers, are designed to help save for and pay for approved education and training expenses.

Rhode Island Historical Preservation and Heritage Commission

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Historical Preservation & Heritage Commission	\$1.9	\$3.5	\$4.2	\$0.7	20.4%	\$5.9	\$2.4	68.5%
Expenditures by Source								
General Revenue	\$1.2	\$1.4	\$1.3	(\$0.0)	-1.2%	\$1.3	(\$0.0)	-2.7%
Federal Funds	0.5	0.6	2.2	1.6	256.7%	2.2	1.6	258.0%
Restricted Receipts	0.0	0.5	0.5	0.0	0.7%	0.4	(0.0)	-4.3%
Other Funds	0.1	1.1	0.2	(0.8)	-77.1%	2.0	0.9	81.6%
Total	\$1.9	\$3.5	\$4.2	\$0.7	20.4%	\$5.9	\$2.4	68.5%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget as Enacted includes a \$35.0 million Creative and Cultural Economy bond referendum of which \$5.0 million is to be used to capitalize the Historic Preservation and Heritage Commission's State Preservation Grants program. This program provides matching funds to renovate and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures. Since 2002, two bond issuances, one in 2002 and one in 2006 have provided a total of \$6.0 million in funding for 108 projects. Past projects have included the Newport Art Museum, Southeast Lighthouse on Block Island, and the Dr. Reuben Mason House in Chepachet. The Commission granted the last of these funds in 2007. The bond referendum will be placed on the November 2014 ballot.

The State Preservation Grants Review Panel award grants based upon the project's historical and/or architectural significance, physical preservation needs, ability to serve the public and to attract support, and upon geographic distribution. Additionally, projects that are compatible with a local development plan within the city or town in which they are located are given priority.

The Budget authorizes 16.6 FTE positions for FY2015, consistent with the enacted level.

Historical Preservation and Heritage Commission	General Revenue
FY2014 Enacted	\$1,357,510
<i>Target and Other Adjustments</i>	<i>1,813</i>
Hurricane Sandy Disaster Relief Federal Grant - Offset to General Revenue	(78,713)
Community Service Grants	40,000
FY2015 Enacted	1,320,610
Historical Preservation and Heritage Commission	Other Fund Changes
Hurricane Sandy Disaster Relief Federal Grant	\$1,600,000

Hurricane Sandy Disaster Relief Grant – Offset to General Revenue (78,713)

The Budget as Enacted uses the 5.0 percent indirect cost recovery allowable under the Hurricane Sandy Disaster Relief Grant to offset personnel and operating costs currently funded with general revenue.

Community Service Grants**\$40,000**

The Budget as Enacted adds two new community service grants to the Rhode Island Black Heritage Society (\$35,000) and to support Emancipation Day (\$5,000).

Hurricane Sandy Disaster Relief Federal Grant (federal funds)**\$1.6 million**

The Budget as Enacted includes \$1.6 million in new federal funds in FY2015. The Commission was awarded a total of \$3.2 million in federal funds over two years through the Hurricane Sandy Disaster Relief Grant. As part of the Disaster Relief Appropriations Act of 2013, the National Park Service allocated \$50.0 million for the preservation of historic resources damaged by Hurricane Sandy. Rhode Island is one of twelve states that received a major disaster declaration pursuant to the Stafford Act and eligible for this grant.

The National Park Service has approved 24 projects based the following criteria:

- Historic and architectural significance
- Severity and nature of damage to the historic property
- Ability of the project to repair storm damage
- Project cost in relation to public benefit

The projects include the restoration of historic landscapes, roofs, and foundations. Beavertail, Rose Island, Southeast, Watch Hill Bristol Ferry Lighthouses were approved for grants, as were the Cliff Walk, The Towers, and Rosecliff, among others.

CAPITAL PROJECTS

The Budget as Enacted includes \$1.9 million in FY2015 in Rhode Island Capital Plan (RICAP) funds to renovate the Eisenhower House. Renovations, currently underway, are scheduled to completed by Spring 2015.

The Eisenhower House, built in 1873 as the official residence of the U.S. Navy Commandant of the Newport Naval Base and later used as the summer residence of President Dwight D. Eisenhower, is located in Fort Adams State Park, Newport. The facility is operated by the State and rented out as an event facility.

Department of the Attorney General

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
General Division	\$3.0	\$2.8	\$3.0	\$0.2	7.3%	\$3.1	\$0.3	10.9%
Criminal Division	15.6	20.5	32.3	11.8	57.7%	26.4	5.9	28.9%
Civil Division	5.1	5.6	6.0	0.4	6.3%	5.7	0.1	2.0%
Bureau of Criminal Identification	1.4	1.5	1.5	0.0	1.9%	1.5	0.0	2.6%
Total	\$25.0	\$30.4	\$42.8	\$12.4	40.9%	\$36.8	\$6.4	21.0%
Expenditures by Source								
General Revenue	\$22.3	\$23.7	\$23.8	\$0.1	0.6%	\$23.6	(\$0.0)	-0.2%
Federal Funds	1.4	1.6	2.8	1.2	74.7%	1.6	0.0	0.9%
Restricted Receipts	0.9	5.1	16.0	10.9	214.5%	11.2	6.2	121.7%
Other Funds	0.4	0.1	0.2	0.2	383.6%	0.3	0.3	500.0%
Total	\$25.0	\$30.4	\$42.8	\$12.4	40.9%	\$36.8	\$6.4	21.0%
Authorized FTE Level	233.1	233.1	233.1	-	-	236.1	3.0	1.3%

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

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$36.8 million in total funding for the Department, an increase of \$6.4 million from the FY2014 Budget as Enacted. General revenues decrease by \$49,833, or 0.3 percent from the FY2014 Budget as Enacted, to \$23.6 million. The Budget includes \$300,000 in Rhode Island Capital Plan Funds for building repairs and renovations for the Providence office building.

The Budget also includes \$10.0 million in federal forfeitures from the Google Settlement in restricted receipts. In 2011, Rhode Island (three state agencies and two Rhode Island police departments) received \$230.0 million from a settlement associated with the online advertisement of illegal pharmacies on Google. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Department of the Attorney General. The Department will spend this money on projects approved by the United States Department of Justice, such as upgrades to the criminal and fingerprint databases and purchasing and renovating office space.

The Budget includes 233.1 FTE positions in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Budget includes 21.6 FTE positions in FY2014 and FY2015 for the program, consistent with the enacted level.

General Division	General Revenue
FY2014 Enacted	\$2,721,567
<i>Target and Other Adjustments</i>	<i>52,046</i>
FY2015 Enacted	\$2,773,613

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focused on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes 148.1 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the Budget as Enacted.

Criminal Division	General Revenue
FY2014 Enacted	\$14,446,868
<i>Target and Other Adjustments</i>	<i>122,086</i>
Medicaid Fraud Unit FTE Positions	20,000
Personnel	(93,762)
FY2015 Enacted	\$14,475,192

Criminal Division	Other Fund Changes
Google Forfeiture Funds	\$6,000,000

Medicaid Fraud Unit FTE Positions**\$20,000**

The Budget includes an increase of \$20,000 in general revenue for the State match to a new federal grant award in the Medicaid Fraud Unit within the Civil Division. The Department received funding for 1.0 FTE staff attorney position to perform the civil side of the legal matters related to national settlements that generate money (program income) for Executive Office of Health and Human Services (EOHHS) Medicaid program. The position is 75.0 percent federally funded and 25.0 percent funded with general revenue. An additional 2.0 FTE positions are investigators for the Social Security Administration to determine prescreening matters as a method to eliminate waste and fraud during the beginning phases of granting Social Security Income. The two positions will be federally funded through a Memorandum of Understanding.

Personnel**(\$93,762)**

The Budget decreases \$93,762 in general revenue for a decrease of 1.0 FTE Assistant Attorney General position in the Criminal Division. The decrease reflects a request by the Department to shift this position to the Civil Division.

Google Forfeiture Funds (restricted receipts)**\$6.0 million**

The Budget includes \$10.0 million in Google Forfeiture Funds in FY2015 for IT projects and acquisition of office space, an increase of \$6.0 million over the FY2014 Budget as Enacted, and \$15.0 million in the FY2014 revised budget, an increase of \$11.0 million from the enacted level. The Department purchased 180 South Main Street in Providence, adjacent to their headquarters at 150 South Main Street, for \$3.4 million.

Google Funds Expense Request to U.S. Department of Justice

Item	FY2014	FY2015
IT System Design	\$4.3	\$1.3
Building Maintenance & Repairs	3.0	-
Computer Supplies/Software & Equipment	1.3	1.3
Buildings & Structures - Acquisition	4.0	5.0
Computer Equipment (\$500 to \$4,999)	0.8	0.8
Computer Equipment (>\$5,000)	1.7	1.7
Total	\$15.0	\$10.0

\$ in millions.

The Criminal Division of the Office assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers. In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the DOJ.

CIVIL DIVISION

The Civil Division is charged with conducting the state's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget provides 45.0 FTE positions in FY2014 and FY2015 for the program, an increase of 1.0 FTE from the FY2014 Budget as Enacted.

Civil Division	General Revenue
FY2014 Enacted	\$4,985,425
<i>Target and Other Adjustments</i>	<i>37,030</i>
Personnel	93,762
Tobacco Litigation	(300,000)
FY2015 Enacted	\$4,816,217

Personnel **\$93,762**

The Budget increases \$93,762 in personnel, which includes the transfer of 1.0 FTE position Assistant Attorney General from the Criminal Division.

Tobacco Litigation **(\$300,000)**

The Budget decreases \$300,000 in general revenue in FY2015 from the enacted level for expenses relating to the National Association of Attorney General (NAAG) – Tobacco Litigation, anticipating that there will be unspent funds in FY2014 that will carryover. For FY2014, the revised budget includes \$525,000 in total funding, an increase of \$225,000 from the enacted level based on a reappropriation of unspent funds from FY2013. Recent spending levels were \$317,837 in FY2012 and \$7,391 in FY2013.

In 1998, the State, along with 45 others, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which have gone to arbitration.

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Budget includes 19.0 FTE positions in FY2014 and FY2015 for the program, consistent with the Budget as Enacted.

Bureau of Criminal Identification	General Revenue
FY2014 Enacted	\$1,503,119
<i>Target and Other Adjustments</i>	<i>39,005</i>
FY2015 Enacted	\$1,542,124

CAPITAL PROJECTS

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$241,805 in FY2014 and \$300,000 in FY2015 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 \$3.5 million in RICAP funds through FY2019.

Department of Corrections

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$8.0	\$9.1	\$8.9	(\$0.3)	-3.1%	\$9.5	\$0.4	4.4%
Community Corrections	14.7	15.1	15.0	(0.1)	-0.8%	15.1	(0.0)	-0.1%
Custody and Security	118.5	116.2	118.7	2.5	2.2%	119.6	3.4	2.9%
Healthcare Svcs	19.1	19.6	19.4	(0.2)	-1.1%	18.9	(0.7)	-3.7%
Institutional Based Rehab/Pop Mgmt	9.7	10.0	10.0	(0.0)	0.0%	9.6	(0.4)	-4.0%
Institutional Support	18.3	33.2	24.3	(8.9)	-36.7%	35.3	2.1	6.2%
Parole Board	1.2	1.4	1.3	(0.1)	-5.5%	1.3	(0.1)	-5.6%
Total	\$189.5	\$204.7	\$197.6	(\$7.1)	-3.6%	\$209.3	\$4.6	2.3%

Expenditures by Source								
General Revenue	\$184.0	\$185.4	\$186.6	\$1.3	0.7%	\$187.7	\$2.4	1.3%
Federal Funds	2.0	1.8	2.6	0.8	43.3%	1.7	(0.1)	-7.5%
Restricted Receipts	0.1	0.1	0.1	0.0	1.9%	0.4	0.3	514.7%
Other Funds	3.5	17.5	8.4	(9.1)	-109.1%	19.5	2.1	11.8%
Total	\$189.5	\$204.7	\$197.6	(\$7.1)	-3.6%	\$209.3	\$4.6	2.3%

Authorized FTE Levels	1,419.0	1,419.0	1,419.0	-	-	1,419.0	-	-
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\$ in millions. Totals may vary due to rounding.

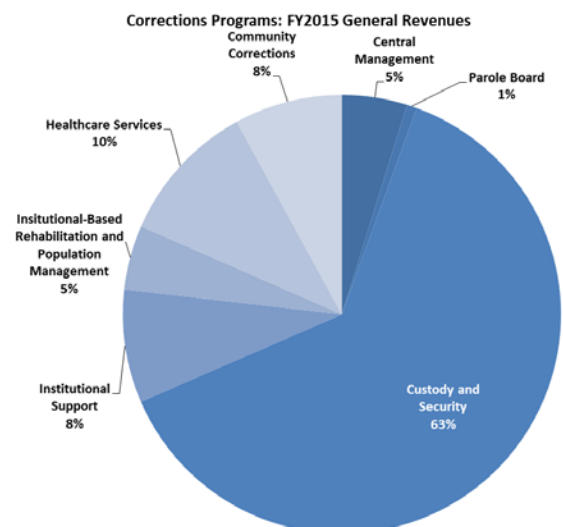
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,774 beds. Through May 2014, the Department has averaged 3,218 inmates (80.7 percent of capacity) housed at the ACI for the fiscal year, including 2,988 men, and 173 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$209.3 million in total expenditures for FY2015, including \$187.7 million in general revenue and \$19.5 million in Rhode Island Capital Plan funds.

The Budget includes general revenue savings of \$834,512 resulting from the Medicaid expansion under the federal Affordable Care Act (ACA) which became effective January 1, 2014. Under the Act, all adults with income levels under 133 percent of the Federal Poverty Level (FPL) will be covered. While this expanded coverage represents most of the population at DOC, Medicaid only covers healthcare costs for in-patient hospital stays. The Department will not be able to seek Medicaid reimbursement for outpatient treatment costs or services provided by Eleanor Slater hospital as it is not a community-based hospital.

The Budget also shifts \$730,721 from the FY2014 Budget as Enacted for a training class of new Correctional Officers as the FY2014 class was cancelled due to a challenge by the U.S. Department of Justice regarding the hiring practices for new recruits. These funds are included in the FY2015 Enacted Budget, pending settlement of this issue.



CENTRAL MANAGEMENT

The Central Management program houses the administrative functions of the Department, including human resources, management, legal, financial, and physical plant responsibilities. Beginning in FY2013, the program includes Inmate Accounts and Central Distribution Center internal service funds. The Budget includes 75.0 FTE positions in FY2014 and FY2015, a decrease of 1.0 FTE from the FY2014 Budget as Enacted.

Central Distribution Center services are provided to all State departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Central Management	General Revenue
FY2014 Enacted	\$9,077,039
<i>Target and Other Adjustments</i>	<i>(404,804)</i>
Weapons Requalification	500,019
Personnel	(101,280)
Correctional Officer Training Class	Informational
FY2015 Enacted	\$9,070,974

Weapons Requalification**\$500,019**

The Budget includes \$500,019 in general revenue for the annual Correctional Officer weapons requalification. This includes rental of a firing range, transportation, ammunition for practice and qualifying rounds, and staffing of the range by training personnel.

Analyst's Note: In 2007, the General Assembly amended the weapons qualification statutes to require Correctional Officers to qualify with their service weapons every two years instead of the then-current practice of yearly weapons qualification. This was challenged by the Rhode Island Brotherhood of Correctional Officers (RIBCO) and ultimately an arbitrator ruled in favor of the collective bargaining agreement, which mandated yearly weapons qualification, and restored the annual requirement.

Personnel**(\$101,280)**

The Budget includes a general revenue decrease of \$101,280 for shifts in personnel among DOC programs for personnel changes. The Budget transfers 2.0 FTE positions (\$215,836) from the Central Management program to the Custody and Security program. These positions, a Chief Motor Pool & Maintenance position and Automobile Service Shop Supervisor, are responsible for the Department's State Fleet Unit. The Department also shifts 1.0 FTE Interdepartmental Project Manager position (\$114,556) from the Institutional Rehabilitation program to Central Management.

Corrections Officer Training**Informational**

The FY2015 Budget includes \$742,098 in general revenue funding for a training class of approximately 40 Correctional Officers in FY2015. The FY2014 revised budget eliminates the FY2014 training class. This was originally budgeted for \$749,522 in the FY2014 Budget as Enacted; however, the revised budget removes this funding in FY2014 due to concerns about the hiring process expressed by the U.S. Department of Justice.

Analyst's Note: The Budget eliminates the FY2014 training class due to a notice received by the U.S. Department of Justice (DOJ) expressing concerns about the hiring process for Correctional Officers. On February 10, 2014, the DOJ announced that a lawsuit has been filed alleging that the Department has been engaging in recruiting practices that are adversely affecting minority candidates. 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 Attorney General filed a motion to dismiss the case and that hearing is expected in July 2014. If the case is not dismissed, the DOC will not be able to hold a CO Training class in FY2015.

COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management. The Budget includes 129.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

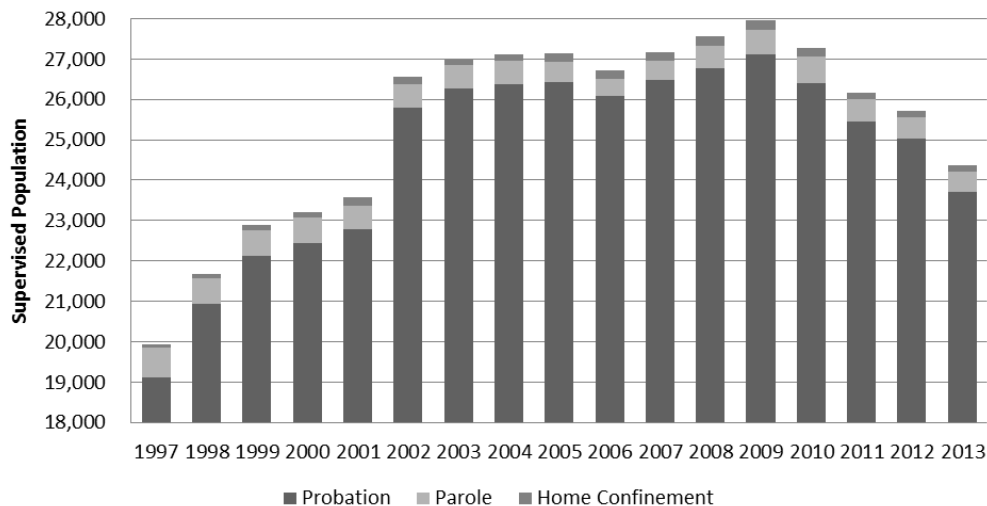
Community Corrections	General Revenue
FY2014 Enacted	\$15,031,969
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<i>Target and Other Adjustments</i>	<i>3,560</i>
Community Corrections Population	Informational
Probation Office Space	Informational
FY2015 Enacted	\$15,035,529

Community Corrections Population

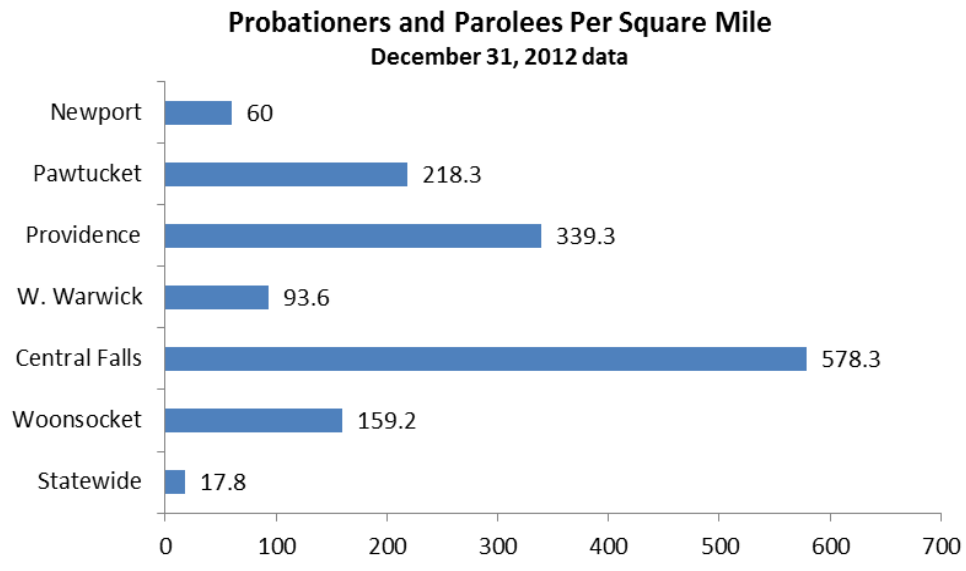
Informational

While representing only 7.2 percent of the Department’s general revenue budget for FY2015, Community Corrections serves the largest number of individuals. In FY2013, the program served 23,707 cases, representing a 21.4 percent increase from FY1997. Based on Department of Corrections’ statistics, 1 out of every 44 adult residents in the State is on probation or parole. This equates to 1 of every 25 men and 1 of every 136 women.

Community Corrections Population Trends



The number of cases in the state's urban areas is substantially higher than the statewide average. The Department reports that 43.0 percent of the population under the supervision of the Community Corrections program lives in Providence or Pawtucket. Statewide there are an average of 17.8 probationers and parolees per square mile. This increases to as high as 578.3 probationers and parolees per square mile in the City of Central Falls.



Probation Office Space

Informational

The current location of the Probation and Parole Office at 246 Prairie Avenue, Providence, owned by the Urban League, is inadequate and the lease is expiring. The DOC issued an RFP for a new space, but the only response was for the current space. On December 17, 2013, the State Properties Committee voted to waive the RFP requirements and allow negotiations to begin with the landlord at 40 Fountain Street in Providence, which currently houses other State offices. The Probation and Parole Office would occupy the first floor of 40 Fountain Street, which previously housed the Retirement Board. Elected officials and members of the public expressed concerns that moving this office to the downtown location could pose significant public safety risks. Consideration for the move was withdrawn.

The Probation and Parole Office still occupies the Urban League space. DOC is paying for janitorial staff to maintain work conditions and deducting these expenses from the rent owed until a suitable space is found.

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 and Donald Price Medium Security (currently closed) facilities, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget provides a staffing level of 990.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the FY2014 Budget as Enacted.

Custody and Security	General Revenue
FY2014 Enacted	\$115,418,407
<i>Target and Other Adjustments</i>	
Inmate Population Housing	(807,627)
Correctional Officer Overtime	2,575,936
Transfer of CO Supervision to RICAP	2,201,038
Transfer of State Fleet Unit	(750,000)
State Criminal Alien Assistance Program (SCAAP)	215,836
Inmate Population	(105,679)
	Informational
FY2015 Enacted	\$118,747,911

Inmate Population Housing***\$2.6 million***

Due to the increase in population projected for FY2015, the Budget includes additional funding of \$2.6 million to keep housing modules open at the Intake Service Center (ISC), Maximum Security and Minimum Security. The FY2014 Budget as Enacted included savings by closing housing modules that have since been reopened due to increases in commitments and in the awaiting trial population.

The FY2015 Budget as Enacted for the Department of Corrections was based on an average daily population of 3,192 for FY2014, an increase of 40 inmates (1.7 percent) from the FY2014 enacted level of 3,152. For FY2015, the Department estimates a population of 3,170, an increase of 18 inmates (0.6 percent) from the FY2014 Budget as Enacted.

Correctional Officer Overtime***\$2.2 million***

The Budget includes \$2.2 million in additional general revenue for costs associated with Correctional Officer overtime. This is in part due to the reopening of housing modules, weapons requalification, supervision of inmate construction crews on various capital projects, and the delay in the Correctional Officer training class to FY2015. According to the National Institute of Corrections, the current FTE level is inadequate to cover authorized posts, which increases the Department's reliance on overtime staff.

Transfer of CO Supervision to RICAP***(\$750,000)***

The Budget reduces Correctional Officer overtime funding by \$750,000, recommending these costs associated with supervising inmate work crews and outside contractors be transferred to Rhode Island Capital Plan (RICAP) financing. Personnel and capital costs directly related to project construction at secure facilities should be considered a capital expenditure and the associated costs will be included in the RFP process for new projects.

Transfer of State Fleet Unit***\$215,836***

The Budget transfers the internal State Fleet unit from Central Management to the Custody and Security program at the request of the Department. This Unit handles all vehicle repairs, ordering and requests for State vehicles. The funding transfer will support the program's 2.0 FTE positions.

State Criminal Alien Assistance Program (SCAAP)***(\$105,679)***

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for SCAAP (created in 1990) is used to offset general revenue costs associated with housing detainees. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include "undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period." The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

The 2013 application contained identifying information for 688 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available.

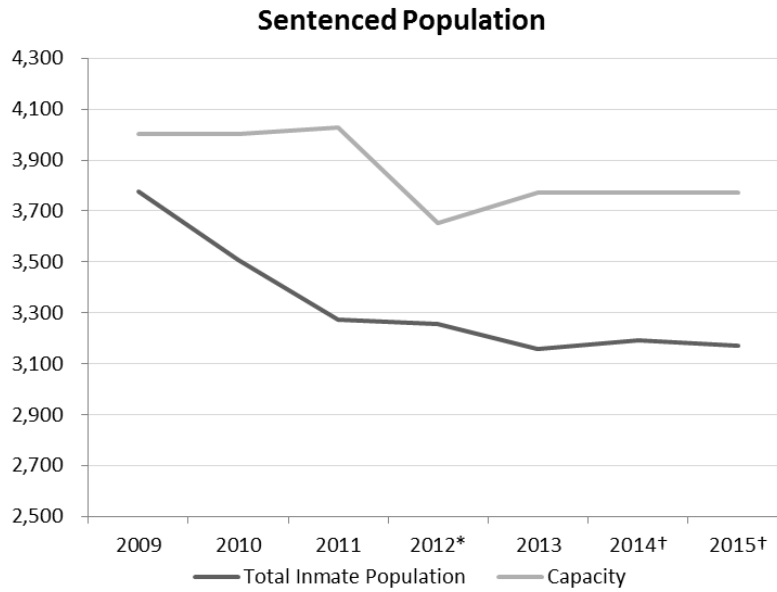
The Budget includes \$811,434 in FY2014 and \$810,713 in FY2015 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants. The FY2015 Budget includes a \$105,679 reduction for the general revenue portion of the State Criminal Alien Assistance Program (SCAAP).

Inmate Population

Informational

The Department’s budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

Population Reduction Initiatives: The average monthly census for incarcerated individuals has decreased by 18.0 percent since September 2007, when the monthly average population reached a high point of 3,937. For FY2014, the continuous decline experienced since 2007 ended as totals increased by 53 inmates over the eleven month period from July to May. However, when compared to previous eleven month averages, and based on previous patterns of high initial averages followed by lower final averages, the trend is down. As a result, the Department expects decline to resume in FY2015.



*FY2012 capacity change represents the Price Medium Security closing.
 †Figures are estimates.

Two initiatives implemented since FY2008 have aided in the reduction of the inmate population.

- The Public Defender’s Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. According to the Office of the Public Defender, the program has succeeded in increasing the number of arraignments without incarceration from 40 to 100 and has reduced by 70.0 percent the number of violations withdrawn or continued on probation, contributing to the decline in awaiting trial population and the inmate commitment census.

- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs, and other incentives. Inmates sentenced to serve nine months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation. The effect of this legislation particularly impacted the average monthly sentenced population with a small decrease in the awaiting trial population; however, that trend has been reversing as there has been an increase in the number of awaiting trial commitments.
- As part of the FY2012 Budget as Enacted, the General Assembly allowed medical parole for inmates who have a chronic and incurable mental or physical illness, and for whom the medical costs are deemed to be exorbitant by the Department of Corrections. The Department's Medical Director verifies all medical opinions and has the ability to deny the petition for medical parole prior to submission of an application to the Parole Board. Medical parolees are required to wear electronic monitoring equipment unless the medical facility to which the parolee is admitted cannot accommodate such equipment. All prisoners, except those serving sentences of life without parole, are potentially eligible for medical parole. Of the 6 inmates who filed for medical parole in FY2013, 2 were denied due to the nature of the crimes committed; 3 inmates were granted medical parole, however, these inmates are still residing at the DOC due to difficulty finding nursing home placement due to nature of crimes.

Budgeting: The Department primarily bases its budget on the projected number of inmates it will house at the Adult Corrections Institutions (ACI). Two average cost models are used for projections:

- **Personnel and Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. Actual costs in FY2013 were \$52,045, up from \$50,859 in FY2012.
- **Per Diem:** Per diem costs for inmates are associated with the Institutional Support program. For FY2015, this number is estimated to be \$3,831, which includes food, linens, medicines and other normal expenses. This cost assumption is based on per diem costs for one additional inmate, and assumes that no additional staff would be needed and space exists to house the inmate in an already open and supervised cell/bed. The FY2014 revised budget per diem cost assumes \$3,887 per inmate. The FY2014 Budget is based on an estimated average of 3,192 inmates, or 40 inmates above the FY2014 enacted amount of 3,152 inmates. From FY2004 through FY2013, the Department has averaged 3,496 inmates. Through May 2014, the Department has averaged 3,218 inmates for the fiscal year. The Budget includes \$12.1 million for FY2015 for an estimated inmate population of 3,170.

The FY2015 Budget as Enacted for the Department of Corrections was based on an average daily population of 3,192 for FY2014, an increase of 40 inmates (1.7 percent) from the FY2014 enacted level of 3,152. For FY2015, the Department estimates a population of 3,170, an increase of 18 inmates (0.6 percent) from the FY2014 Budget as Enacted.

HEALTHCARE SERVICES

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 84.0 FTE positions for FY2014 and FY2015, consistent with the FY2014 enacted level.

Healthcare Services	General Revenue
FY2014 Enacted	\$19,639,269
<i>Target and Other Adjustments</i>	
Medicaid Savings from ACA	(24,558)
Personnel - Dental & Medical Services	(834,512)
Inmate Medicaid	136,697
	Informational
FY2015 Enacted	\$18,916,896

Medicaid Savings from ACA **(\$834,512)**

The Budget reduces \$834,512 in general revenue for full year savings in the Healthcare Services program. Under the new Affordable Care Act (ACA), more inmates are qualified for Medicaid coverage for in-hospital treatment, and the new minimum requirements for coverage expanded the qualifying population to anyone with an income level under 133 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.

Medicaid Capture	
Fiscal Year	Total
2008	\$125,000
2009	4,100
2010	49,000
2011	119,000
2012	-
2013	400,000

In-patient stays are a smaller portion of the Department's medical expenses (\$759,100 in FY2013 and \$766,797 in the FY2014 Supplemental Budget). The majority of medical expenditures are for out-patient services for inmates receiving care from community-based providers (\$2.5 million in FY2013 and FY2014 Supplemental Budget). These services are not eligible for Medicaid reimbursement, even with the new changes under the Affordable Care Act.

The Department is working with the Executive Office of Health and Human Services (EOHHS) to obtain Medicaid coverage for inmates as they are being discharged, insuring that those being released receive necessary medical and treatment services once they are in the community. In FY2013, seven discharged inmates were enrolled.

Personnel - Dental & Medical Services **\$136,697**

The Budget increases general revenue funding by \$136,697 for costs relating to medical and dental services. The Budget increases \$235,765 for dental services since the Department has been unable to keep the Chief of Dental position filled, requiring the need for a contract employee to perform the dental needs of offenders. The increase is partially offset by a \$99,068 reduction in contracted nursing services aligned with past spending levels.

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 70.0 FTE positions for the program in FY2014 and FY2015, consistent with the enacted level.

Institutional Based Rehab/Pop Mgmt	General Revenue
FY2014 Enacted	\$9,129,775
<i>Target and Other Adjustments</i>	61,372
Contracted Professional Services	(277,571)
Online GED Testing	58,729
FY2015 Enacted	\$8,972,305

Contracted Professional Services **(\$277,571)**

The Budget decreases by \$277,571 for contract services in the program, mostly due to the elimination of landscaping and maintenance services at the Statehouse and Waterplace Park and a reduction in medical services for substance abuse contracts to coincide with their negotiated value. The funds for maintenance at Waterplace Park pay for overtime supervisory costs of correctional officers, inmate pays, landscaping supplies, fertilizers, seed, and trash bags.

Online GED Testing **\$58,729**

The Budget includes additional funding of \$58,729 for office supplies relating to changes in testing for General Education Development (GED) certificates. The U.S. Department of Education recently required all GED testing be completed online. The Department must install an online test and purchase related supplies to meet this new requirement.

INSTITUTIONAL SUPPORT

Created in FY2013, the program is responsible for food services, facilities maintenance and repairs, and the Inmate Classification Unit. These responsibilities were previously done through the Institutional Corrections program. The Budget includes 61.0 FTE positions for FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Institutional Support	General Revenue
FY2014 Enacted	\$15,728,306
<i>Target and Other Adjustments</i>	(2,240)
FY2015 Enacted	\$15,726,066

PAROLE BOARD

The Parole Board is a six-member appointed commission that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Board is supported by an Administrator, an Investigator, and support staff. The Department has budgetary responsibility for the

Board; however, it remains autonomous with regard to making parole decisions. The Budget includes 10.0 FTE positions in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Parole Board	General Revenue
FY2014 Enacted	\$1,354,433
<i>Target and Other Adjustments</i>	<i>(78,634)</i>
Good Conduct Certificate Program	Informational
FY2015 Enacted	\$1,275,799

Good Conduct Certificate Program

Informational

The 2013 General Assembly passed the “Good Conduct Certificate” legislation, allowing the Parole Board to award of a certificate of good conduct to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Current staff assists the Parole Board in administering the program.

CAPITAL PROJECTS

The Budget includes a total of \$59.9 million in capital projects from FY2015 through post-FY2019.

Major items in FY2015 include:

- \$3.9 million in FY2015 to restore and renovate the Intake Service Center.
- \$4.2 million for renovations to the Minimum Security building. The proposal expands the kitchen, increasing the current 500-seat capacity of the dining hall, and expands the building for a new intake and support services addition.

The revised budget includes \$220,022 in RICAP funding in FY2014 to complete conversion of the Gloria McDonald Women’s Facility in order to address deficiencies in program space, segregation concerns, and security issues in the former Dix and McDonald facilities. The project is complete; however the Department is still awaiting final invoices.

Judiciary

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Supreme Court	\$35.1	\$34.9	\$35.4	\$0.5	1.5%	\$33.8	(\$1.1)	-3.1%
Superior Court	21.8	22.7	22.4	(0.3)	-1.4%	22.5	(0.2)	-0.9%
Family Court	19.8	21.1	21.1	(0.0)	-0.2%	21.0	(0.2)	-0.7%
District Court	11.8	12.8	12.4	(0.4)	-3.3%	11.8	(1.0)	-8.1%
Traffic Tribunal	7.9	8.1	8.6	0.5	5.7%	8.8	0.7	8.3%
Workers' Compensation Court	7.4	7.8	7.8	(0.0)	-0.1%	7.7	(0.1)	-1.7%
Judicial Tenure & Discipline	0.1	0.1	0.1	(0.0)	-0.5%	0.1	(0.0)	-0.1%
Total	\$104.0	\$107.6	\$107.8	\$0.2	0.2%	\$105.7	(\$2.0)	-1.8%
Expenditures by Source								
General Revenue	\$87.9	\$91.7	\$91.4	(\$0.3)	-0.3%	\$91.6	(\$0.0)	0.0%
Federal Funds	2.0	2.6	2.4	(0.2)	-8.1%	1.9	(0.7)	-27.2%
Restricted Receipts	10.4	11.8	11.8	0.0	0.3%	10.8	(1.0)	-8.7%
Other Funds	3.7	1.5	2.2	0.7	30.7%	1.4	(0.2)	-10.9%
Total	\$104.0	\$107.6	\$107.8	\$0.2	0.2%	\$105.7	(\$2.0)	-1.8%
Authorized FTE Levels	723.3	726.3	726.3	-	-	723.3	-3.0	-0.4%

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

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judicial budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

MAJOR ISSUES AND TRENDS FOR FY2015

Total general revenue funding is approximately level-funded with the FY2014 Budget as Enacted. The Budget includes \$8.4 million in Rhode Island Capital Plan Fund financing, with \$2.0 million beginning in FY2019 for completion of unfinished courtroom space at the Noel Judicial Complex in Warwick and additions to the existing parking structure.

The Judiciary has been developing a new Case Management and an E-Filing system. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. The Budget includes \$709,604 in restricted receipts in FY2015 available from the Department's indirect cost recoveries on federal grants to fund personnel and capital expenses related to this project.

SUPREME COURT

The Supreme Court is the only constitutionally-established court in the State, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers

programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program. The Budget includes 161.7 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 enacted levels.

Supreme Court	General Revenue
FY2014 Enacted	\$29,783,782
<i>Target and Other Adjustments</i>	
Computer Maintenance and Repairs	(57,679)
Law Library Subscriptions	497,500
Electronic Filing Fee Restricted Account	(280,721)
Justice Assistance Grant	(180,000)
Indigent Defense	100,000
FY2015 Enacted	Informational \$29,862,882

Computer Maintenance and Repairs **\$497,500**

The Budget adds \$497,500 in general revenue for computer maintenance and repairs not relating to the Department's new case management system. These costs are for normal maintenance of its network and systems, plus associated scanners and hardware.

Law Library Subscriptions **(\$280,721)**

The Budget decreases general revenues by \$280,721 (49.2 percent) for Law Library subscriptions. Under R.I.G.L 29-3, the Court is required to provide public access to books and electronic databases such as Westlaw and Lexis for libraries throughout the Court system.

Electronic Filing Fee Restricted Account **(\$180,000)**

The Budget shifts \$180,000 from general revenue to restricted receipts to reflect the collection of an electronic filing fee assessed for all new court case filings in the Judiciary's new case management system. Funds in this account will be used to offset maintenance for the IT system and for payments to Tyler Technologies, the vendor that will host the records system.

Justice Assistance Grant **\$100,000**

The Budget includes \$100,000 to extend the Justice Assistance – One Time Modeling Grant for one year. The Rhode Island Justice Assistance organization is an independent, private nonprofit organization that provides advocacy services and manages the Rhode Island Victim's Assistance Portal. This website includes information for crime victims relating to their case, including the ability to determine an offender's incarceration and release status.

Indigent Defense **Informational**

The Judiciary is responsible for the defense of indigent persons who cannot be represented by the Office of the Public Defender due to conflicts of interest or other reasons. For FY2015, the Budget includes \$3.5 million for indigent defense, consistent with the FY2014 Budget as Enacted level, and an increase of \$150,496 above the final FY2013 level (\$3.4 million).

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action

imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 165.7 FTE positions in FY2014 and 164.7 FTE positions in FY2015 for the program, a decrease of 1.0 FTE position from the FY2014 enacted level.

Superior Court	General Revenue
FY2014 Enacted	\$22,294,581
<i>Target and Other Adjustments</i>	64,446
Vacant Magistrate Position	(215,000)
FY2015 Enacted	\$22,144,027
Vacant Magistrate Position	(\$215,000)

The Budget removes \$215,000 in restricted receipts to reflect a decrease of 1.0 FTE vacant Magistrate position in the Superior Court.

FAMILY COURT

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony, support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, or mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes 173.8 FTE positions in FY2014 and FY2015, consistent with the FY2014 enacted level.

Family Court	General Revenue
FY2014 Enacted	\$18,851,385
<i>Target and Other Adjustments</i>	394,207
FY2015 Enacted	\$19,245,592

DISTRICT COURT

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and

Newport. The Budget includes a staffing level of 96.0 FTE positions in FY2014 and 95.0 FTE positions in FY2015 for the program, a decrease of 1.0 FTE from the FY2014 enacted level.

District Court	General Revenue
FY2014 Enacted	\$12,545,634
<i>Target and Other Adjustments</i>	
Turnover	(80,497)
Vacant Magistrate Position	(741,602)
FY2015 Enacted	\$11,508,535

Personnel **(\$741,602)**

The Budget reduces general revenue by \$741,602 for personnel costs in the program, which includes a shift of \$199,667 in general revenue to Small Claims Mediation Account (restricted receipts) as a result of some employees administering small claims cases through the civil court. The Budget removes \$541,935 in turnover based on anticipated vacancies in FY2015.

Vacant Magistrate Position **(\$215,000)**

The Budget removes \$215,000 in restricted receipts to reflect a decrease of 1.0 FTE vacant Magistrate position in the District 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 78.2 FTE positions in FY2014 and FY2015, consistent with the FY2014 enacted level.

Traffic Tribunal	General Revenue
FY2014 Enacted	\$8,090,350
<i>Target and Other Adjustments</i>	
Personnel	201,603
FY2015 Enacted	468,166

Personnel **\$468,166**

The Budget includes an increase of \$468,166 in general revenue for personnel, which includes step increases for employees and partially restores funding for vacant positions in the Traffic Tribunal, inclusive of statewide adjustments.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Budget includes 50.0 FTE positions in FY2014 and 49.0 FTE positions in FY2015, a decrease of 1.0 FTE from the FY2014 Budget as Enacted.

Workers' Compensation Court	Restricted Receipts
FY2014 Enacted	\$7,842,060
<i>Target and Other Adjustments</i>	90,580
Vacant Judge Position	(220,000)
FY2015 Enacted	\$7,712,640

Vacant Judge Position **(\$220,000)**

The Budget removes \$220,000 in restricted receipts to reflect a decrease of 1.0 FTE vacant Judge position in the Workers' Compensation Court.

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify or reject the recommendations of the Commission. The Budget includes 1.0 FTE position in FY2014 and FY2015 for the program, consistent with the enacted level.

Judicial Tenure & Discipline	General Revenue
FY2014 Enacted	\$115,627
<i>Target and Other Adjustments</i>	(114)
FY2015 Enacted	\$115,513

CAPITAL PROJECTS

The Budget includes \$13.4 million in RICAP funds for FY2015 through post-FY2019 for capital projects, including \$1.4 million in FY2015.

- The Budget includes \$4.5 million from FY2015 through FY2019 for Asset Protection projects throughout the Court system, including \$825,000 in FY2015. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and exterior courthouse refurbishments.
- The Budget includes \$825,000 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$2.0 million 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.
- The Budget includes proposes \$2.0 million in RICAP funding beginning in FY2019 with an additional \$6.4 million post-FY2019. This project will expand the capacity of the Noel Judicial Complex by adding courtroom space to the interior shell and additional parking to accommodate the expansion. The Judiciary expects to complete the project in two phases. The first phase of the project will add two decks to the current parking garage to address the need for additional parking as a result of the proposed expansion. The second phase of the project will build out the shelled courtroom space within the Noel Complex. Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties.

Military Staff

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
RI National Guard	\$15.4	\$19.9	\$20.2	\$0.3	1.7%	\$18.5	(\$1.4)	-7.2%
Emergency Management	25.3	23.3	28.9	5.7	24.3%	-	(23.3)	-100.0%
Total	\$40.7	\$43.2	\$49.1	\$6.0	13.9%	\$18.5	(\$24.7)	-57.2%
Expenditures by Source								
General Revenue	\$3.5	\$3.9	\$3.6	(\$0.3)	-7.9%	\$1.8	(\$2.0)	-52.4%
Federal Funds	34.2	34.9	41.3	6.5	18.5%	14.8	(20.1)	-57.6%
Restricted Receipts	0.4	1.0	0.8	(0.2)	-23.0%	0.4	(0.6)	-55.8%
Other Funds	2.7	3.4	3.5	0.1	2.1%	1.4	(2.0)	-59.2%
Total	\$40.7	\$43.2	\$49.1	\$6.0	13.9%	\$18.5	(\$24.7)	-57.2%
Authorized FTE Levels	112.0	117.0	117.0	-	0.0%	85.0	(32.0)	-27.4%

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

FY2013 and FY2014 amounts include RIEMA. FY2015 is RI National Guard only.

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA.

As of September 30, 2013, 12.0 percent of the State's armories and readiness centers meet or exceed the United States Army building code compliance standards. This is an improvement over the 5.6 percent reported last year.

NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard, and the State Historic Militia. The Guard is authorized to have 3,249 members (2,130 Army National Guard and 1,179 Air Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Budget maintains 85.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 enacted budget.

National Guard	General Revenue
FY2014 Enacted	\$1,361,037
<i>Target and Other Adjustments</i>	
	78,631
Personnel Changes	327,428
Inaugural Expenses	75,000
Agency Separation (Article 14)	Informational
FY2015 Enacted	\$1,842,096

Personnel Changes**\$327,428**

The Budget increases general revenue funded personnel costs by \$327,428. The increase includes \$31,000 to offset the loss of administrative funds through the proposed separation of the Rhode Island Emergency Management Agency as well as a reduction in the anticipated turnover and an increase due to medical benefit inflation.

The Budget also restores \$235,000 for personnel costs that were removed in the FY2014 Budget as Enacted as part of an enhanced indirect cost recovery. The federal funds are derived from the federal Master Cooperative Agreements and Centralized Personnel Plan, which does not allow for Indirect Cost Recoveries to offset state general revenue funding requirements.

Inaugural Expenses**\$75,000**

The Budget includes \$75,000 in general revenue funding for expenses related to the inauguration of general officers to be held on January 6, 2015. The Budget places the full appropriation within personnel overtime. According to the Guard, the \$75,000 appropriation is based on expenses incurred at the last inauguration in January 2011. At that time, operating expenditures were \$55,000 and personnel expenses were \$20,000 for 47.0 soldiers activated for one day and 2.0 activated for 2 days. However, the details for the next inaugural will be at the discretion of the incoming Governor.

Agency Separation (Article 14)**Informational**

Article 14 of the FY2015 Budget as Enacted, separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. RIEMA is responsible for planning and implementing all hazard preparedness programs at the state level as well as providing support at the local level. Prior to 2000, RIEMA has been a standalone agency previously. Since 2000, however, RIEMA has operated as a program within Military Staff. The Budget separates RIEMA from Military Staff in order to more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA.

*See the Rhode Island Emergency Management section for budget summary.

CAPITAL PROJECTS

The Budget includes \$5.9 million (\$3.4 million RICAP) in capital projects for FY2014 and \$3.9 million in FY2015 (\$1.4 million RICAP), including:

- \$642,898 in FY2014 and \$700,000 in FY2015 for various asset protection projects.
- \$140,000 in FY2014 and \$300,000 in FY2015 for the Armory of Mounted Commands Rehabilitation roof project.

Rhode Island Emergency Management Agency

Expenditures by Program¹	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Central Management	\$25.3	\$23.3	\$29.0	\$5.7	24.5%	\$20.6	(\$2.7)	-11.6%
Expenditures by Source								
General Revenue	\$2.1	\$2.5	\$2.0	(\$0.5)	-20.0%	\$1.9	(\$0.6)	-24.0%
Federal Funds	23.0	20.1	26.8	6.7	33.3%	18.3	(1.8)	-9.0%
Restricted Receipts	0.2	0.7	0.2	(0.5)	-71.4%	0.2	(0.5)	-71.4%
Other Funds	-	-	-	-	-	0.2	0.2	-
Total	\$25.3	\$23.3	\$29.0	\$5.7	24.5%	\$20.6	(\$2.7)	-11.6%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

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

¹ FY2013 and FY2014 amounts reported under Military Staff budget.

The Rhode Island Emergency Management Agency (RIEMA) is the coordinating agency for multi-jurisdiction and multi-agency response in the State for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget separates the Rhode Island Emergency Management Agency (RIEMA) from the Rhode Island National Guard (Guard) in FY2015, effectively reassigning the executive control of RIEMA from the State Adjutant General to the Executive Director of RIEMA. The separation shifts 32.0 FTE positions from the Military Staff to RIEMA. While RIEMA has historically been a standalone agency, since 2000 it operated as a program within Military Staff. The Budget separates RIEMA from Military Staff, so that RIEMA can more efficiently respond to emergencies such as natural disasters without an additional structural layer that would otherwise have to authorize its actions.

CENTRAL MANAGEMENT

The Central Management program is the sole program at RIEMA, and is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Budget maintains 32.0 FTE positions in FY2014 and in FY2015, consistent with the enacted level.

Central Management	General Revenue
FY2014 Enacted	\$2,508,946
<i>Target and Other Adjustments</i>	<i>(64,325)</i>
RISCON Maintenance Contracts	(484,763)
FY2015 Enacted	\$1,959,858

Central Management	Other Fund Changes
Disaster and Emergency Preparedness Grants	(\$3,319,564)
Personnel Changes	477,690

RISCON Maintenance Contracts ***(\$484,763)***

The 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 FY2014 Budget as Enacted anticipated the two-year contract cost to be \$1.6 million during FY2014 and FY2015, and included an escalation in the contract price for FY2015. In the fall of 2013, the State negotiated and signed a new contract with the vendor (Motorola) covering July 1, 2013, to June 30, 2015. Under the new contract, the State was able to renegotiate the contract price and cost escalation, thereby reducing the contract cost to \$1.1 million, resulting in a savings of \$484,763 in FY2015.

Disaster and Emergency Preparedness Grants (federal funds) ***(\$3.3 million)***

The Budget includes \$13.9 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events, and for preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events intended to improve and enhance the ability to prevent, deter, respond to, and recover from threats and incidents. The Budget decreases federal funds by \$3.3 million reflecting a trend in federal reward patterns that base awards on risk. As states become better prepared, they become less risky and receive less federal funding. The following table highlights the more significant changes in FY2015. The all other grants item summarizes the changes within 34 other programs.

	FY2014	FY2015	
RIEMA Federal Grants	Enacted	Enacted	Change
Tropical Storm Irene	\$4,997,500	\$0	<i>(\$4,997,500)</i>
Hurricane Sandy October 2012	-	2,550,000	<i>2,550,000</i>
Nemo Blizzard 2012	-	1,920,845	<i>1,920,845</i>
FEMA Flood Hazard Mitigation	279,896	1,500,000	<i>1,220,104</i>
All Other Grants (34)	11,992,614	7,979,601	<i>(4,013,013)</i>
Total	\$17,270,010	\$13,950,446	<i>(\$3,319,564)</i>

Personnel Changes (federal funds and restricted receipts) ***\$477,690***

The Budget includes \$2.6 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$957,948 in federal funds offset by a decrease of \$480,258 in restricted receipts, for a net increase of \$477,690 from the FY2014 Budget as Enacted. The Budget shifts more salaries and benefits to federal funds after RIEMA completed a program and grant guidance analysis. RIEMA realigned job duties to maximize personnel expenditures through federal funding and did an analysis on indirect cost recoveries and found that the Agency had a lower amount of actual achievable indirect cost recoveries than the original recovery amount.

CAPITAL PROJECTS

The Budget includes funding for two capital projects. The projects include plan development for a potential new headquarters for Emergency Management and completion of the federal and RICAP funded awards to state agencies impacted by Hurricane Sandy in 2012. The capital projects are:

- \$29,643 in RICAP funds in FY2014 to complete the feasibility study for the construction of a new Emergency Management facility. The enacted capital plan includes out-year RICAP appropriations of \$1.5 million in FY2016 and \$2.3 million in FY2017 to design and construct a new Emergency Management headquarters and emergency operations center. The proposed project includes administrative offices, information technology and communications facilities, support facilities for emergency operations, the State Emergency Operations Center, and a radiological vault. Currently, RIEMA shares space in the Command Readiness Center with the Rhode Island National Guard, which it believes is insufficient for proper response coordination for natural or man-made disasters.
- \$167,000 in RICAP funds in FY2015 for residual disbursements related to the Hurricane Sandy repairs. Over the last two years, the State received and spent \$17.4 million (\$12.3 million federal funds and \$5.1 million RICAP funds) to reimburse state entities for expenses incurred during the cleanup and repair of structures damaged by Hurricane Sandy on October 29, 2012. Federal funding was provided from the Federal Emergency Management Agency (FEMA) Public Assistance Program, which required the State to provide a 25.0 percent state match towards the federal grants. RICAP funds were used to provide the state match.

Department of Public Safety

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted		Enacted	Enacted	
Central Management	\$5.3	\$5.3	\$6.0	\$0.6	12.1%	\$5.3	(\$0.1)	-1.0%
E-911	5.0	5.5	5.4	(0.0)	-0.8%	5.4	(0.1)	-1.1%
Fire Marshal	2.9	4.0	3.9	(0.1)	-2.5%	5.3	1.3	32.4%
Municipal Police Training	0.5	0.6	0.6	0.0	4.4%	0.6	0.1	14.3%
Security Services	20.4	21.8	20.8	(1.0)	-4.7%	21.8	(0.1)	-0.3%
State Police	69.8	86.2	87.2	1.0	1.2%	88.1	1.9	2.2%
Total	\$103.9	\$123.5	\$124.0	\$0.5	0.4%	\$126.6	\$3.1	2.5%
Expenditures by Source								
General Revenue	\$90.4	\$96.4	\$94.3	(\$2.1)	-2.2%	\$95.3	(\$1.1)	-1.1%
Federal Funds	6.0	6.2	10.7	4.6	74.5%	6.9	0.7	12.0%
Restricted Receipts	3.1	12.8	12.9	0.1	0.8%	12.9	0.1	0.9%
Other Funds	4.4	8.2	6.1	(2.1)	-25.4%	11.5	3.3	40.2%
Total	\$103.9	\$123.5	\$124.0	\$0.5	0.4%	\$126.6	\$3.1	2.5%
Authorized FTE Levels	609.2	645.2	634.2	(11.0)	-1.7%	633.2	(12.0)	-1.9%

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

The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget includes \$95.3 million in general revenue, which reflects a decrease of \$1.1 million, or 1.1 percent, in general revenue expenditures. Other funds increase by \$3.3 million (40.2 percent) in Rhode Island Capital Plan funds for the second phase of construction of the State Municipal Fire Academy Training Building to be used by all municipal fire departments in Rhode Island.

The Budget includes \$2.0 million in general revenue for the hiring of 36.0 FTE new recruits from the 55th State Trooper Police Training Academy. The State Police division currently has 220.0 sworn members, of which 46.0 are currently eligible to retire and another 28.0 eligible to retire in December 2014. In order to make up for these potential retirees, the Budget provides full year financing for the 36.0 new recruits in FY2015. The Rhode Island State Police were awarded a 3.0 percent raise for all troopers, corporals, and sergeants, retroactive to May 2012, from an October 25, 2013, arbitration ruling. The Budget includes \$759,189 in the FY2014 Supplemental budget and \$815,890 in FY2015, as this ruling occurred after the FY2014 Budget was enacted.

The E-911 Division has been 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 Department expects the project to be fully implemented in FY2015.

The Budget increases Rhode Island Capital Plan funds by \$7.4 million in FY2015 from the enacted level, with \$6.5 million slated for the State Police Barracks and Training Academy Renovations. Google Forfeiture Funds are proposed for costs associated the State Police Barracks and Training Academy Renovations project. The Department will use \$4.5 million in Google funds through FY2016, beginning with \$300,000 for renovations and repairs to the four Rhode Island State Police barracks in FY2014.

CENTRAL MANAGEMENT

The Central Management unit consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

The Budget includes 16.6 FTE positions in FY2014 and FY2015 for the Central Management program, consistent with the FY2014 Budget as Enacted.

Central Management	General Revenue
FY2014 Enacted	\$1,240,692
<i>Target and Other Adjustments</i>	<i>(64,408)</i>
FY2015 Enacted	\$1,176,284

E-911

The E-911 Uniform Emergency Telephone System's objective is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP.

The Budget includes 50.6 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

E-911	General Revenue
FY2014 Enacted	\$5,488,731
<i>Target and Other Adjustments</i>	<i>42,047</i>
Operating Expenses	(102,299)
Surcharge Revenues	Informational
FY2015 Enacted	\$5,428,479
Operating Expenses	(\$102,299)

The Budget includes an operating funds decrease of \$102,299 from the FY2014 Budget as Enacted, the majority of which comes from one-time hardware purchases that occurred in FY2014 for service and maintenance of the E-911 system. The one-time hardware purchases include upgrades to an Uninterrupted Power Source totaling \$18,000 and a router in the amount of \$77,000.

Analyst's Note: The one-time hardware purchases are part of the Next Generation 911 (NG-911) system initiative. NG-911 is a Voice over Internet Protocol (VoIP) based network solution that allows a text message to be delivered to a 911 call center. According to the Department, the four largest wireless telecommunications carriers in the United States, T-Mobile, Verizon, Sprint and AT&T, which jointly have well in excess of 90.0 percent of the wireless business, have entered into a voluntary agreement with the Federal Communications Commission (FCC) indicating that they will, by or before May 15, 2014, be capable of transmitting NG911 text messaging to any PSAP requesting the same and has the technology to receive the messages. E-911 expects to complete the necessary technology purchases in FY2015 and implement the NG-911 system.

Surcharge Revenues**Informational**

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. Following is a snapshot of surcharge collections, and general revenue expenditures for E-911.

Fiscal Year	Revenue	Expenditures	Net Amount to
			General Fund
2010	\$17,898,223	\$4,635,901	\$13,262,322
2011	17,248,460	4,829,770	12,418,690
2012	17,255,771	4,766,586	12,489,185
2013	17,507,117	5,103,735	12,403,382
2014*	17,388,412	5,444,296	11,944,116
2015*	17,482,128	5,428,479	12,053,649

* FY2014 and FY2015 expenditures reflect the FY2014 Revised Budget and the FY2015 Budget as Enacted. Revenue estimates were provided by the Office of Revenue Analysis.

Analyst's Note: Beginning July 1, 2015, (FY2016), 10.0 percent of revenue collected through E-911 surcharges will be deposited into the Information Technology Investment (ITI) Fund established in RIGL 42-11-2.5. The ITI Fund is used to acquire hardware, software, consulting services, and ongoing maintenance contracts for State departments and agencies for information technology improvements.

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Fire Marshal	General Revenue
FY2014 Enacted	\$2,894,425
<i>Target and Other Adjustments</i>	<i>(841)</i>
Personnel	(147,129)
FY2015 Enacted	\$2,746,455

Personnel**(\$147,129)**

The Budget includes a decrease of \$147,129 in personnel costs, including a shift of 1.0 FTE Clerk Position from general revenue to a restricted receipt account associated with the Fire Education and Training Academy. Furthermore, the Budget shifts 20.0 percent of the Fire Marshal position to the Fire Academy Training Fees restricted receipt account, with the assumption that this position spends a certain amount of time working at the Training Academy.

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln.

The Budget includes 2.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE from the Budget as Enacted.

Municipal Police Training	General Revenue
FY2014 Enacted	\$293,022
<i>Target and Other Adjustments</i>	
Personnel	2,918
	(50,561)
FY2015 Enacted	\$245,379

Personnel**(\$50,561)**

The Budget decreases \$50,561 in general revenue for personnel costs, partially due to a decrease of 1.0 FTE for the Director of the Municipal Police Training Academy. This position has been vacant since FY2012 and the responsibilities have been fulfilled by the 1.0 FTE Coordinator of Instruction position who has been serving as acting director. The FY2014 Budget as Enacted fully-funded the Director position assuming that the Coordinator position would assume this role in an acting capacity, therefore achieving turnover savings from leaving the Coordinator position vacant throughout FY2014. The FY2015 Budget no longer funds the Director position (\$106,637) and instead finances the Coordinator position (\$66,440), achieving greater turnover savings from leaving the Director position vacant.

SECURITY SERVICES

The Security Services program consists of the Capitol Police, and, beginning in FY2012, the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 state buildings, including the State House, the courthouses, and numerous Executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Budget includes 220.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 3.0 FTEs from the Budget as Enacted.

Security Services	General Revenue
FY2014 Enacted	\$21,814,553
<hr/>	
<i>Target and Other Adjustments</i>	<i>(40,479)</i>
Sheriffs - Personnel	334,166
Capitol Police - Personnel	(306,590)
New Equipment and Supplies	(50,000)
FY2015 Enacted	\$21,751,650

Sheriffs – Personnel**\$334,166**

The Budget includes an additional \$353,621 to fill 7.0 vacant FTE positions through internal promotions along with backfilling 5.0 Deputy Sheriff positions vacated based on the internal promotion schedule.

Additionally, the Budget includes \$62,124 to promote 6.0 Deputy Sheriff positions from 35 to 40 hour work weeks. The Governor recommended in the FY2015 budget proposal to continue this trend each fiscal year until all employees are on a 40-hour workweek.

Analyst's Note: In 2005, a settlement was reached between the Department of Administration and the Division of Sheriffs, increasing work week hours in the Division from 35 to 40 hours. The Sheriff's union has indicated that the State has not fulfilled the requirements of the consent order by not transferring all Sheriff's to the 40 hour work week. However, the State believes the obligation has been filled, transferring the agreed upon number (48 FTE positions) to 40 hours work weeks. Currently, the Division has two sets of sheriffs: 98.0 FTE Sheriff positions working 35 hour weeks and 58.0 FTE Sheriff positions working 40 hour weeks. The Division has stated that they are in discussions with Council 94 – Local 2409 and the Department Of Administration to try and come up with an amenable arrangement to resolve this issue.

Capitol Police – Personnel**(\$306,590)**

The Budget decreases by \$306,590 for 3.0 FTE Capitol Police positions which are being shifted from general revenue to the Capitol Police Rotary (internal service) account. This account is funded from payments made by other State departments that use the Capitol Police services.

New Equipment and Supplies**(\$50,000)**

The Budget includes savings of \$50,000 for unspecified equipment and supplies in the Sheriffs program.

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General's Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state. The Budget includes 289.0 FTE positions in FY2014 and FY2015, a decrease of 10.0 positions from the budget as enacted.

State Police	General Revenue
FY2014 Enacted	\$64,630,376
<i>Target and Other Adjustments</i>	
55th State Police Training Academy	(971,771)
Contract Arbitration	2,000,000
Retiree Healthcare	815,892
Elimination of 10.0 FTE Trooper Positions	(800,000)
Turnover	(619,046)
New Equipment and Supplies	(630,867)
New 1.0 FTE Lead Information Systems Specialist	(488,198)
Pay-go Pensions	72,401
State Police Vehicles	(63,000)
FY2015 Enacted	Informational \$63,945,787

55th State Police Training Academy**\$2.0 million**

The Budget includes \$2.0 million for full year salary and benefits for the 36.0 FTE position recruits from the 55th State Police Training Academy, which concluded on December 13, 2013. The Department requested funding for a 56th State Police Training Academy in FY2015; however, the Budget delays this class until FY2016.

Contract Arbitration**\$815,892**

The Rhode Island State Police were awarded a 3.0 percent raise for all troopers, corporals, and sergeants, retroactive to May 2012, from an October 25, 2013, arbitration ruling regarding salaries of troopers, corporals, and sergeants. The award increased base salaries for these positions after reviewing trooper salaries in other northeastern states. The Budget includes \$815,890 in FY2015 and \$759,189 in the FY2014 Revised budget, as this ruling occurred after the FY2014 Budget was enacted.

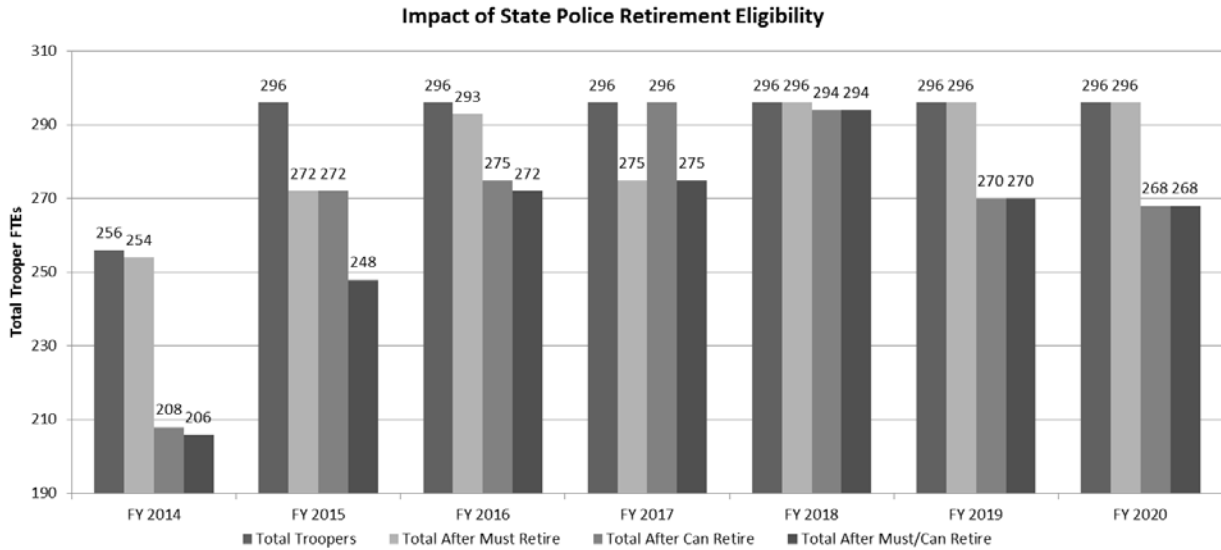
Retiree Healthcare**(\$800,000)**

The Budget includes a savings of \$800,000 in retiree healthcare benefits. Retired State Police Officers who are currently employed by a non-State entity and eligible to receive health insurance benefits through their current employer are required to move off State health insurance coverage.

Analyst Note: The Budget Office removed \$800,000 from the State Police Retiree Health account, with the assumption that this change is allowable in the current State Police contract and that there will not be a need to introduce legislation.

Elimination of 10.0 FTE Trooper Positions**(\$619,046)**

The Budget decreases by \$619,046 for 10.0 FTE Trooper positions based on various trooper retirements and turnover from anticipated retirements in the program. The Budget includes this amount to reflect past attrition levels since the Department does not control non-mandatory retirements. There are 74.0 FTE position troopers eligible to retire in FY2015.



Turnover (\$630,867)

The Budget includes savings of \$630,867 for adjustments to overtime costs based on five year average expenditures within the State Police program.

Equipment and Supplies Savings (\$488,198)

The Budget includes savings of \$488,198 for unspecified equipment and supplies for patrol bureaus in the State Police program. This amount reduces the budget to the FY2014 enacted level.

New 1.0 FTE Lead Information Systems Specialist \$72,401

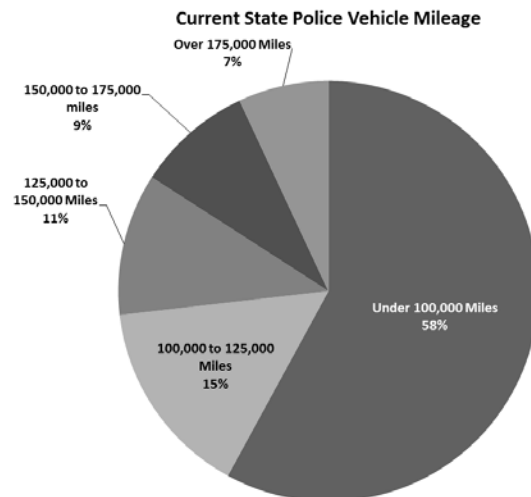
The Budget includes \$72,401 in general revenue for 1.0 FTE position Lead Information Specialist to provide technical assistance alongside the State Police Management Information Systems (MIS) Unit.

Pay-Go Pensions (\$63,000)

The Budget removes \$63,000 in pay-go pensions based on an updated census of retired sworn members of the Rhode Island State Police and to reflect actual anticipated payments through the close of FY2014.

State Police Vehicles Informational

The Department currently has 302 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 7.0 percent (21 vehicles) are over 175,000 miles. The Department has been allotted \$700,000 from the State Revolving Loan Fund for vehicle purchases in FY2014 to replace 20-25 vehicles and is working with the Division of Purchasing to have a Master Price Agreement put in place to purchase 100 new vehicles over 3 years. Purchasing new vehicles would likely decrease costs associated with vehicle maintenance. In FY2013, the Department purchased 154 new vehicles using Google forfeiture funds. The average useful life of these vehicles is 6.5 years.



In FY2015, the Budget decreases general revenue by \$30,258 for state fleet overhead costs relating to

vehicle maintenance and repairs. The Department currently has 172 vehicles over 100,000 miles (42.0 percent of the fleet). The Budget increases \$785,565 from Road Construction Reimbursements from the Department of Transportation for road details performed by the State Police, which help to pay for maintenance costs, for an all funds total of \$1.8 million for the program. This amount is consistent with past expenditure levels.

CAPITAL PROJECTS

The Budget proposes a total of \$34.7 million in capital projects from FY2015 through FY2019, including \$14.4 million in restricted receipts from Google Forfeiture funds.

- The Consolidated Training Academy facility will combine the current training facilities of RI State Police, Providence Police, and Municipal Police departments at the site of the former Ladd School in Exeter. Total project costs are estimated at \$19.5 million, including \$9.8 million of Rhode Island Capital Plan (RICAP) funds (\$1.3 million in FY2016). Google funds previously approved by U.S. Department of Justice will be used in FY2015 (\$850,000).
- Four State Police barracks are undergoing various upgrades to bring them up to date to meet Americans with Disabilities Act (ADA) requirements, upgrade security features, and to accommodate female Troopers. The Budget includes RICAP funding of \$6.4 million in FY2015 and \$5.9 million to complete the project in FY2016. This project is partially funded with \$4.9 million in Google Forfeiture funds.
- The Budget also includes \$1.9 million in FY2015 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices to the present portion of the Exeter facilities. “Phase 1” of this project was funded by general obligation bonds to include a new four-acre burn pad, paved parking, outdoor burn props, and other “hands-on” portions of the training academy.

Office of the Public Defender

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Public Defender	\$10.7	\$11.3	\$11.1	(\$0.2)	-1.8%	\$11.4	\$0.1	0.5%
Expenditures by Source								
General Revenue	\$10.5	\$11.0	\$10.9	(\$0.2)	-1.6%	\$11.1	\$0.1	0.9%
Federal Funds	0.2	0.3	0.3	(0.0)	-12.0%	0.2	(0.0)	-14.8%
Total	\$10.7	\$11.3	\$11.1	(\$0.2)	-1.8%	\$11.4	\$0.1	0.5%
Authorized FTE Levels	93.0	93.0	93.0	-	-	93.0	-	-

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR FY2015

The agency's budget is almost entirely funded by general revenues (97.8 percent). The Budget reflects adjustments to current services required for salary and benefit requirements of the existing staff and statewide target adjustments. Funding is also included for contract services for expert witness services and intake eligibility technicians. The Budget also includes \$25,750 in FY2015 for the continued computer network and operating systems upgrades of a case management system and access to the court information system.

The Budget includes 93.0 FTE positions for the program in FY2014 and FY2015, consistent with the FY2014 Budget as Enacted.

Central Management	General Revenue
FY2014 Enacted	\$11,034,686
<i>Target and Other Adjustments</i>	<i>96,130</i>
FY2015 Enacted	\$11,130,816

Department of Environmental Management

Expenditures by Program	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Office of the Director	\$7.4	\$7.7	\$8.3	\$0.7	8.5%	\$8.1	\$0.4	5.2%
Bureau of Natural Resources	33.6	74.5	63.3	(11.1)	-14.9%	65.0	(9.4)	-12.6%
Bureau of Environmental Protection	26.5	34.0	31.3	(2.7)	-8.1%	30.7	(3.4)	-9.8%
Total	\$67.6	\$116.2	\$103.0	(\$13.2)	-11.4%	\$103.8	(\$12.4)	-10.6%
Expenditures by Source								
General Revenue	\$34.1	\$34.8	\$34.1	(\$0.6)	-1.8%	\$35.5	\$0.8	2.3%
Federal Funds	18.3	38.4	37.4	(1.0)	-2.6%	31.9	(6.5)	-17.0%
Restricted Receipts	12.0	18.1	18.9	0.8	4.5%	15.9	(2.1)	-11.9%
Other Funds	3.1	24.9	12.5	(12.4)	-49.8%	20.5	(4.5)	-17.9%
Total	\$67.6	\$116.2	\$103.0	(\$13.2)	-11.4%	\$103.8	(\$12.4)	-10.6%
Authorized FTE Levels	399.0	399.0	399.0	-	0.0%	399.0	-	0.0%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget includes an all funds decrease of \$12.4 million, or 10.6 percent from the FY2014 Budget as Enacted, primarily due to funding changes in capital projects. The Budget includes a \$783,787 (2.3 percent) increase in general revenue expenditures compared to the FY2014 Budget as Enacted. The Budget reduces federal funding to reflect actual, historic spending.

Through Article 14, the Budget codifies in law the Office of Technical and Customer Assistance within the DEM as part of its efforts to improve customer service. Beginning in 2011, DEM's Bureau of Environmental Protection undertook a Lean Government Initiative to assess and review regulatory and permitting processes within the Department. The Department continues to expand this initiative to other programs, and the formal establishment of this Office is consistent with that process. This initiative does not involve any new positions but is a reorganization of existing resources.

OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State's environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. The Budget includes 34.0 FTE positions in FY2014 and FY2015 for the program, consistent with the FY2014 Budget as Enacted.

Office of the Director	General Revenue
FY2014 Enacted	\$4,609,334
<i>Target and Other Adjustments</i>	(55,767)
Community Service Grants	500,000
FY2015 Enacted	\$5,053,567

Community Service Grants**\$500,000**

The Budget increases community service grants by \$500,000, relative to the FY2014 Budget as Enacted, including \$250,000 for repairs to dams in Johnston and \$250,000 for improvements to an athletic field in Woonsocket.

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 185.0 FTE positions in FY2014 and FY2015 for the program. One FTE position is shifted from the Bureau of Environmental Protection to the Bureau of Natural Resources. Within the cap, the Budget provides three new positions, eliminates three vacant positions to offset the increase, and adjusts expenditures across programs.

Bureau of Natural Resources	General Revenue
FY2014 Enacted	\$18,718,638
<i>Target and Other Adjustments</i>	15,935
WWII State Park	250,000
Seasonal Recreation Positions	89,444
Implementation Aide	81,978
Senior Reconciliation Clerk	67,930
Wildlife Development Senior Biologist	20,690
FY2015 Governor	\$19,244,615

WWII State Park**\$250,000**

The Budget includes \$250,000 for the first year of a five-year initiative to transfer maintenance and operation of the World War II State Park from the State to Woonsocket following the completion of a project to revitalize the park using Rhode Island Capital Plan funds. The memorandum of understanding also requires \$2.6 million in RICAP funding in FY2015 to revitalize the World War II Memorial State Park in Woonsocket. RICAP funds will be used to replace the existing empty pond with a splash-park. Also included in the project are upgrades to the water, sewer, storm water, and electrical systems; new curbing, walkways, and landscaping; and replacement of the pedestrian bridge, benches, playground, and fencing. The architectural plans are already prepared and the project is expected to be completed in FY2015.

Seasonal Recreational Positions**\$89,444**

The Governor provided \$169,444 in general revenue for seasonal recreation positions due to the increase in the minimum wage from \$7.75 per hour to \$8.00 per hour, which took place January 1, 2014. The increase impacts management area rangers, park rangers, park clerks, and seasonal clerical support. According to the Department, the increase impacts less than 200 workers; consequently, the Budget decreases the adjustment based on updated cost estimates for the positions impacted and the estimated hours of work.

Implementation Aide**\$81,978**

The Budget includes \$81,978 in salary and benefits for an Implementation Aide position to assist with land acquisitions, working to leverage federal and private funds, and special projects. A vacant position was eliminated to offset the increase and costs were adjusted accordingly.

Senior Reconciliation Clerk**\$67,930**

The Budget includes \$67,930 in salary and benefits for a Senior Reconciliation Clerk to provide administrative support to the Office of Coastal Resources in the management of the Newport and Galilee State Piers. A vacant position was eliminated to offset the increase and costs were adjusted accordingly.

Wildlife Development Senior Biologist**\$20,690**

The Wildlife Development Senior Biologist position is required by a memorandum of understanding (MOU) with the Department of Administration for oversight of the Big River Management Area. The total cost of the position is \$82,759; however, 75.0 percent is federally funded (\$62,069) and the remaining \$20,690 is funded with general revenue. Pursuant to the MOU, DEM will manage the habitat, educational, and recreational resources, and continue to exercise enforcement authority over the management area; however, the Department of Administration (DOA), through the Water Resources Board (WRB), will continue to manage the residential and commercial lease agreements, the athletic fields, fire training grounds, and model airplane field. The WRB will also continue to manage and maintain the infrastructure of the management area, such as streets, bridges, culverts, signage, and storm drainage systems. A vacant position was eliminated to offset the increase and costs were adjusted across programs accordingly.

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Budget provides 180.0 FTE positions in FY2014 and FY2015 for the program, a decrease of 1.0 FTE position from the FY2014 Budget as Enacted. The position and funds are shifted to the Bureau of Natural Resources.

Bureau of Environmental Protection	General Revenue
FY2014 Enacted	\$11,428,346
<i>Target and Other Adjustments</i>	(186,423)
FY2015 Governor	\$11,241,923

CAPITAL PROJECTS

The Budget includes a total of \$8.3 million in capital expenditures from Rhode Island Capital Plan funds in FY2014 and \$16.4 million in FY2015, including:

- \$3.4 million in FY2015 for remediation and renovations at Rocky Point in Warwick, including a shift of \$2.5 million from FY2014 to FY2015, and an increase of \$1.0 million in total costs to better reflect the revised project timeline and costs.
- \$1.9 million in FY2014 and \$3.0 million in FY2015 for sailing upgrades at Fort Adams.
- \$1.8 million in FY2014 and \$2.0 million in FY2015 for repairs and upgrades at the Galilee Piers, an increase of \$1.5 million in FY2015 to better reflect the revised project timeline and costs. The increase includes a shift of \$868,106 from FY2014 to FY2015 and increase of \$631,894 in estimated project costs.
- \$2.8 million in FY2014 and \$3.5 in FY2015 for infrastructure and facility improvements at state parks and management areas, including an increase of \$3.1 million in for the design and construction of a new beach facility at Lincoln Woods State Park in Lincoln.
- \$2.6 million in FY2015 (shifted from FY2014) for the World War II Memorial State Park in Woonsocket.
- \$1.3 million in FY2014 and \$1.5 million in FY2015 for repairs to “high-hazard” state-owned dams, including an increase of \$950,000 in FY2015 for repairs to the two state-owned dams within the J.L. Curran Management Area in Cranston.
- A decrease of \$2.3 million in funding to reflect a delay in the construction of the Natural Resources Offices/Visitors Center in the Arcadia Management Area due to other department priorities.

Coastal Resources Management Council

Expenditures by Program	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Coastal Resources Management Council	\$4.7	\$4.7	\$4.6	(\$0.1)	-1.8%	\$5.0	\$0.2	5.3%
Expenditures by Source								
General Revenue	\$2.2	\$2.2	\$2.2	(\$0.0)	-0.7%	\$2.2	\$0.0	0.5%
Federal Funds	2.0	2.2	2.2	0.1	2.6%	1.8	(0.4)	-17.9%
Restricted Receipts	0.2	0.4	0.3	(0.1)	-33.3%	0.3	(0.1)	-33.3%
Other Funds	0.2	-	-	-	0.0%	0.8	0.8	-
Total	\$4.7	\$4.7	\$4.6	(\$0.1)	-1.8%	\$5.0	\$0.2	5.3%
Authorized FTE Levels	29.0	29.0	29.0	-	0.0%	29.0	-	0.0%

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

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the state. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2015

The FY2015 Budget as Enacted provides an all funds increase of \$249,775 (5.3 percent) to the FY2014 Budget as Enacted. This increase includes a general revenue increase of \$11,207, reflecting statewide target adjustments, a federal funds decrease of \$386,450, a decrease of \$124,982 in restricted receipts, and an increase of \$750,000 in Rhode Island Capital Plan (RICAP) funds. The Budget includes 29.0 FTE positions in FY2014 and FY2015 for CRMC, level with the FY2014 Budget as Enacted.

The Budget decreases federal funds primarily to reflect the expected completion of work on the River Ecosystem Restoration and the Marine Habitat Characterization federal grants (a \$432,536 decrease), which is partially offset by an increased expenditure estimate for the Narragansett Bay Habitat Restoration.

To address issues concerning climate change, the CRMC proposed the development of a new Erosion Special Area Management Plan (SAMP) to provide a comprehensive approach to addressing erosion issues along the Rhode Island shoreline. The Erosion SAMP is intended to provide practical policies and guidance for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise. The CRMC requested \$150,000 in Rhode Island Capital Plan (RICAP) funding annually in FY2014 and FY2015. The Budget provides \$300,000 in RICAP funding for this project in FY2015. Furthermore, the University of Rhode Island was recently awarded an \$870,000 federal grant for its continuing participation in developing the SAMP.

Analyst's Note: The FY2014 Budget as Enacted decreased general revenue by \$124,982 to offset an increase in resources for administrative costs at the Department realized through indirect cost recovery from current federal grants and a corresponding increase in restricted receipts. However, according to a letter from the National Oceanic Atmospheric Administration (NOAA), dated December 4, 2013, CRMC already charges many of these expenses to the federal grant provided by NOAA under the Coastal Zone Management Act and therefore the indirect cost recovery would not allow the State to realize any additional federal funding and would result in less funding to carry out tasks associated with the coastal management program. The Budget does not address the issue of the cost recovery but reduces restricted receipt funding by a corresponding amount.

Coastal Resources Management Council	General Revenue
FY2014 Enacted	\$2,174,331
<i>Target and Other Adjustments</i>	
Personnel	11,207
FY2015 Enacted	\$2,185,538

Personnel**Informational**

For FY2015, the CRMC requested 6.0 new FTE positions to address the growing permitting and planning work needed for marine resources development and the erosion SAMP. The CRMC requested additional personnel to handle permitting associated with two offshore projects including the Deep Water Wind project off of Block Island and two federal lease sales. The CRMC seeks personnel to address the economic development projects in the Metro-bay region, the increasing amount of habitat restoration projects, and the reconstruction of the Urban Coastal Greenway along the Cranston, East Providence, Pawtucket and Providence waterfronts. According to the CRMC, there are over \$4.0 billion of projects in the waterfront area under review. The Budget does not include the personnel increase.

CAPITAL PROJECTS

The Budget provides a total of \$750,000 in RICAP funded capital projects, between FY2014 and FY2019, including the following:

- **South Coast Restoration Project:** The Budget provides RICAP funding of \$450,000 in FY2015 to match Army Corps of Engineers funding for tidal and breach way dredging and eelgrass restoration in Winnapaug Pond. This project is designed to prevent shoaling and high nutrient concentrations that choke aquatic vegetation and shellfish habitat.
- **Shoreline Change Special Area Management Plan:** The Budget includes \$300,000 in RICAP funding in FY2015 to address issues concerning climate change, the CRMC has proposed the development of a new Shoreline Change Special Area Management Plan (SAMP) to provide a comprehensive approach to addressing erosion issues along the Rhode Island shoreline. The SAMP is intended to provide practical policies and guidance for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise. The RICAP fund will be used to leverage federal funding.

Department of Transportation

Expenditures by Program ¹	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Central Management	\$6.9	\$12.8	\$13.1	\$0.3	2.6%	\$11.0	(\$1.8)	-14.0%
Infrastructure-Engineering	360.3	397.6	420.7	23.1	6.3%	472.5	74.9	18.8%
Infrastructure-Maintenance	39.2	48.4	48.7	0.3	0.7%	39.4	(9.0)	-18.5%
Management and Budget	1.7	1.5	2.2	0.6	52.4%	2.2	0.7	44.7%
Total	\$408.0	\$460.2	\$484.6	\$24.4	5.3%	\$525.1	\$64.9	14.1%

Expenditures by Source ¹	FY2013	FY2014	FY2014	Change from		FY2015	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Enacted	Enacted	Enacted
Federal Funds	\$272.4	\$311.8	\$355.0	\$43.3	13.9%	\$352.1	\$40.4	12.9%
Restricted Receipts	1.0	8.0	6.9	(1.1)	-14.3%	12.4	4.3	54.2%
Other Funds	134.7	140.5	122.7	(17.7)	-12.6%	160.7	20.2	14.4%
Total	\$408.0	\$460.2	\$484.6	\$24.4	5.3%	\$525.1	\$64.9	14.1%

Authorized FTE Levels	772.6	772.6	752.6	(20.0)	-2.6%	752.6	(20.0)	-2.6%
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\$ in millions. Totals may vary due to rounding.

¹ Does not reflect debt service transfers of \$8.0 million in FY2013 and \$9.3 million in FY2014.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 834 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of modern traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), and funds dedicated to elderly transportation.

MAJOR ISSUES AND TRENDS FOR FY2015

The Budget allocates a total of \$525.1 million to RIDOT, an increase of \$64.9 million from the FY2014 Budget as Enacted (14.1 percent). This increase includes \$40.4 million more in federal Highway Projects funds, based upon revised expenditure projections for various highway projects; a \$4.3 million increase in restricted receipts from the phase-in of higher DMV fees; and \$20.2 million in other funds due primarily to a \$9.3 million increase in Rhode Island Capital Plan expenditures, of which \$6.0 million is for the Highway Improvement Program, an increase of \$7.5 million from I-195 relocation land sales, and \$3.2 million in additional maintenance costs.

A report issued in January 2014 by the Special Legislative Commission to Study the Funding for East Bay Bridges states that Rhode Island will require more than \$1.0 billion in additional transportation infrastructure improvement funding over the next ten years for which no funding source had been

identified. The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration. These funds are primarily used to build the state's infrastructure and require a 20.0 percent state match requirement. The two-year transportation authorization titled "Moving Ahead for Progress in the 21st Century", known as MAP-21, which is funded through the federal gasoline tax of 18.4 cents per gallon, is projected to be insolvent by September 2014. If there is no further action by the federal government, the trust fund will be depleted, and the majority of all federal funds that are part of the State's annual Transportation Improvement Program (TIP) will not be available. This could delay work in both FY2015 and FY2016.

Sustainable Transportation Funding – Article 21

Article 21 of 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), beginning 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, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, beginning in FY2016.
- 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.
- 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 in Article 21.
- Allows more flexible use of the MHA, which was established in 2011 to provide the non-bonded match to the State federal program.

Revenues

Fees and Surcharges	FY2015	FY2016	FY2017	FY2018	FY2019
Motor Vehicle Registration and License ¹	\$0.0	\$12.5	\$37.9	\$52.8	\$51.8
Inspection Sticker ²	5.7	5.9	6.0	6.1	6.2
Motor Vehicle Title ²	9.0	9.3	8.9	8.5	8.5
Rental Car Surcharge ²	2.8	2.9	2.9	3.0	3.0
Inspection Sticker Increase ³	4.8	5.9	6.0	6.1	6.2
Gas Tax Index (bi-annually beginning in FY2016) ³	-	4.2	4.2	12.5	12.4
Good Driving Fee (\$25) ³	0.6	0.6	0.6	0.6	0.6
Increased RICAP Allocation	6.0	5.0	4.0	4.0	4.0
Total New Fees Charges and RICAP	\$28.9	\$46.3	\$70.5	\$93.5	\$92.6
Unallocated Bond Proceeds	17.0	8.0	-	-	-
Existing Gas Tax Freed up from the Debt Service Plan	2.9	9.8	20.5	28.4	29.7
New Revenue into Highway Maintenance Account	\$48.8	\$64.0	\$91.1	\$121.9	\$122.3
Expenditures					
Less: Debt Service Transfer	(19.3)	(29.3)	(39.3)	(39.7)	(38.7)
Less: Transfer of 3.5 cents to Turnpike and Bridge	(14.7)	(14.6)	(14.6)	(14.5)	(14.4)
Less: Transfer to RIPTA	-	(2.7)	(4.0)	(4.7)	(4.7)
New Statewide Infrastructure Funding	\$14.9	\$17.4	\$33.2	\$62.9	\$64.5

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

¹ These fees are currently deposited into the State General Fund as general revenue, and will be shifted to RIDOT as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018 and beyond.

² These fees are currently deposited as general revenue. They will be shifted to RIDOT in their entirety beginning in FY2015.

³ New revenue

- **State Matching Funds (Federal Program):** The FY2012 Budget as Enacted increased driver's license fees and registration fees for all vehicles, phased-in over a 3-year period beginning on July 1, 2013, (FY2014), depositing the revenues from the increases into the Highway Maintenance Trust Fund, created in FY2012. Two-year registrations and driver's licenses are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

In addition to the fee increases, RICAP funding is used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

State Matching Funds¹	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Increase Two-Year Registrations by \$30	-	\$3.7	\$7.1	\$10.5	\$10.5	\$11.7	\$43.6
Increase One-Year Registrations by \$15	-	0.6	1.2	1.8	1.8	4.8	10.3
Increase License Fees by \$30	-	1.5	3.0	4.5	4.5	4.5	17.9
RICAP funding	20.0	21.1	27.7	28.2	27.2	27.2	151.4
Total Additional Revenue	20.0	27.0	39.0	45.0	44.0	48.2	223.2
Balance available from Previous General Obligation Bond Issues	23.6	13.0	7.0	-	-	-	-
Total State Match	\$43.6	\$40.0	\$46.0	\$45.0	\$44.0	\$48.2	\$223.2

\$ in millions.

¹ Article 21 provides flexibility in the use of funds deposited into the RI Highway Maintenance Account.

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by the State's 33.0 cent per gallon Gas (gas) tax. In FY2014 and FY2015, the motor fuel tax is expected to generate \$4.2 million per penny. RIDOT will receive 21.75 cents per gallon of gasoline sold in FY2014 and 18.25 cents per gallon sold in FY2015 (\$90.0 million in FY2013). Proceeds from the general obligation bonds used to finance

Year	Per Penny Yield
2006	\$4,805,619
2007	4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014*	4,196,611
2015*	4,194,510

*Dept. of Revenue estimate

the State's match for annual FHWA formula funding are also deposited into the ISTF, as are federal funds for transportation purposes.

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

	Motor Fuel Tax Distribution: Cents per Gallon					
	General Revenue	DOT / Highway	RIPTA / Transit	RI Turnpike and Bridge Authority	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

The following table shows the use of motor fuel tax revenue in FY2013:

Motor Fuel Tax Use (FY2013)	Revenue	Percent of total revenue
Transit Operations (RIPTA/DHS)	\$44.5	32.4%
G.O. Bond Debt Service (DOT)	34.4	25.0%
Personnel (DOT)	22.1	16.1%
Winter Maintenance (DOT)	13.7	10.0%
GARVEE Debt Service (DOT)	8.3	6.0%
Other Operations (DOT)	9.1	6.6%
Vehicle Maintenance (DOT)	3.3	2.4%
UST Fund	2.1	1.5%
Total	\$137.4	100.0%

\$ in millions.

Federal Funding – MAP 21

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the fourth highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.91), behind only Washington D.C., Alaska, and Vermont.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called "Moving Ahead for Progress in the 21st Century (MAP-21)." The limited time of the authorization is an improvement over the short-term extensions of SAFETEA-LU for planning purposes, but a two-year authorization still requires the state to make assumptions when projecting the availability of future federal resources.

The Federal Highway Trust Fund that supports federal highway and transit investments, and is the State's largest funding source of the Highway Improvement Program (HIP), is expected to have insufficient cash to meet all of its funding commitments, resulting in steadily accumulating shortfalls as early as Summer 2014. Although the Fund was intended to be self-sustaining through the 18.3 cent per gallon Federal motor fuel tax, \$32.5 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. This means that states may not be able to obligate any new federal highway funds in fiscal year 2015. The Governor's proposal assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on September 30, 2014. In the event that Congress fails to act by January 1, 2015, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new

construction work would be started. There is also a potential for a delay in going out to bid for future projects.

RIDOT staff estimates approximately \$212.0 million in FFY2013 and \$214.0 million in FFY2014 in federal funds authorized under MAP-21 for Rhode Island. Prior to MAP-21, Rhode Island received one-half of one percent of all funds allocated to states nationwide as a result of the federal funding formula. With the advent of MAP-21, the FFY2013 allocations to states are based upon a three year average of funds received during FFY2009 through FFY2011.

Analyst's Note: On February 18, 2014, Moody's downgraded Rhode Island's transportation GARVEE bonds one notch, from Aa3 to A1. The downgrade is due to the federal delay in passing a transportation funding bill, and Rhode Island is a state that has not identified other revenue sources to pay the bonds should federal funding be delayed significantly. According to Moody's "the downgrades reflect change in federal liquidity management which increases the risk of interruption of timely payments of federal transportation aid to the states and transit entities. These include the government's recurring episodes of threatened debt ceiling expirations, government shutdowns, and the threat of depletion of the highway trust fund balance later this year due to the fund's persistent structural imbalance.

East Bay Bridge System

The FY2013 Budget as Enacted established the East Bay Bridge System Act of 2012, authorizing the transfer of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge from RIDOT to the Rhode Island Turnpike and Bridge Authority (RITBA) to increase access to alternate funding sources for proper bridge maintenance. The Act allowed the Authority to establish and collect tolls on the Sakonnet River Bridge.

There is no net impact on expenditures within the RIDOT. Transferring control of the Sakonnet River Bridge and the Jamestown Verrazzano Bridge to RITBA enables RIDOT to begin addressing unmet infrastructure investments, such as those identified in the East Bay.

The FY2013 Budget as Enacted delayed the collection of tolls on the Sakonnet River Bridge until August 19, 2013, allowing RITBA to institute a toll of no more than ten cents (\$0.10) and established a joint legislative commission to study transportation funding in Rhode Island. Under current bond covenants, the Authority cannot assume authority of additional assets (in this case the Sakonnet River Bridge and Jamestown Verrazzano Bridge) unless a funding stream is provided for the maintenance of those assets.

Article 21 of the FY2015 Budget as Enacted removed the tolls on the Sakonnet River Bridge and includes a provision that will transfer 3.5 cents of the motor vehicle fuel tax to the Rhode Island Turnpike and Bridge Authority each year, beginning in FY2015, resulting in approximately \$14.5 million in additional revenue to RITBA each year, in lieu of a toll on the Sakonnet River Bridge. These funds will be deducted from RIDOT's share of the motor vehicle fuel tax.

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.

Central Management	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Federal Funds	\$5.3	\$11.3	\$11.4	\$0.1	0.8%	\$9.2	(\$2.1)	-18.6%
Other Funds	1.6	1.5	1.7	0.3	23.9%	1.8	0.3	21.6%
Total	\$6.9	\$12.8	\$13.1	\$0.4	3.4%	\$11.0	(\$1.8)	-14.0%

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

Federal funds within Central Management decrease by a net of \$2.1 million in FY2015, reflecting changes in several National Highway Safety Administration grants, including a decrease of \$2.6 million for impaired driving prevention programs, a decrease of \$250,000 for child safety and booster seat incentives, offset by an increase of \$200,000 for racial profiling prevention and \$299,750 for primary seatbelt enforcement.

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all RIDOT projects. The Transportation Development division assigns projects to a manager, who remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

Infrastructure - Engineering	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Federal Funds	\$267.1	\$300.5	\$343.6	\$43.2	14.4%	\$342.9	\$42.5	14.1%
Restricted Receipts	1.0	8.0	6.9	(1.1)	-14.3%	12.4	4.3	54.2%
Other Funds	92.2	89.1	70.2	(18.9)	-21.2%	117.2	28.1	31.6%
Total	\$360.3	\$397.6	\$420.7	\$23.1	5.8%	\$472.5	\$74.9	18.8%

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

Federal funding for the Infrastructure Engineering program for FY2015 increases by \$42.5 million from the FY2014 Budget as Enacted, primarily attributable to an increase of \$32.8 million in Federal Highway Administration Funds, and a \$10.3 increase federal funds for the Kingston Track Capacity Platform Improvement rail project and for the Providence Station Improvement Project. Restricted receipts increase by \$4.3 million, reflecting additional revenue expected from Division of Motor Vehicle license and registration surcharges (state match for federal funds), and other funds increase by \$7.1 million due primarily to additional revenue available from the sale of land associated with the relocation of I-195, \$6.6 million in additional RICAP funding, and \$14.7 million associated with the transfer of funds to RITBA.

Land Sales – I-195

In the spring of 2010, RIDOT and the Rhode Island Economic Development Corporation (RIEDC) came to the General Assembly seeking \$40.0 million in general obligation bonds to allow RIEDC to purchase the land made available by the relocation of the I-Way (I-195). In total, approximately 28.7 acres are available for development. RIDOT originally allocated \$40.0 million from land sales as part of the

federally-required project financing plan for the I-Way relocation. RIDOT noted that the land must be sold to meet project finance obligations and Federal Highway Works Administration (FHWA) requirements, but with the downturn in the economy, sale prices would be significantly lower than initial estimates. Therefore, sale of the land to RIEDC would solve the project-based cash flow problem, reduce or remove the need to act immediately in selling the parcels (without full appraisals or marketing studies) and eliminate FHWA red-tape.

The 2011 General Assembly enacted legislation which authorized RIEDC to borrow up to \$42.0 million towards the purchase of this land, with an additional \$2.0 million for costs of issuance and other capital expenses. Although the bonds were sold in FY2013, project payments will continue through FY2016, based on the Department's projected expenditures. For FY2014 the Governor includes \$6.6 million in proceeds from the sale of land made available from the relocation of I-195. The Budget includes \$19.8 million in expenditures from bond proceeds in FY2015.

Highway Improvement Program

The Highway Improvement Program (HIP) includes those Highway and Intermodal projects, which use federal funds, administered by the Federal Highway Works Administration (FHWA) and Highway transportation infrastructure projects funded by the state (motor fuel tax and bonds). The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. The TIP establishes priorities for planning, design, and project implementation. Federal regulations require states and metropolitan areas to undertake an extensive public planning process, resulting in an eligible project list, the TIP, as a prerequisite for receipt of federal highway funds. No highway project can utilize federal funds unless it appears in an approved TIP. The State Planning Council approved a new four-year TIP in July 2012. Priorities emphasized in the TIP include completion of major projects, bridge rehabilitation, preventative maintenance, safety, and congestion relief and environmental quality.

The State spends an average of \$300.0 million in capital funds annually on the TIP including \$45.0 million in federal funding in RIDOT and RIPTA capital projects for transit and \$210.0 million in federal matching funds for a wide range of projects. Beginning in FY2014, the State will use a combination of RICAP funds and revenue from surcharges on license and registrations to supply the 20.0 percent state match for federal funds, which were previously funded by \$40.0 million annually in general obligation bond funds.

The Federal Highway Trust Fund that supports federal highway and transit investments, and is the State's largest funding source of the HIP, is expected to have insufficient cash to meet all of its funding commitments, resulting in steadily accumulating shortfalls as early as Summer 2014. This means that states may not be able to obligate any new federal highway funds in fiscal year 2015. The FY2015 Budget assumes that a reauthorization of the current federal authorization bill (MAP-21), a continuation resolution, or some other means of funding will be implemented by Congress before the current authorization expires on September 30, 2014. In the event that Congress fails to act by January 1, 2015, RIDOT will begin to wind down the federally-funded highway program. RIDOT would manage the completion of all ongoing construction work, but no new construction work would be started.

The following table shows the TIP by category, as approved by the State Planning Council, from FY2013 through FY2016.

Project Category	FY2013	FY2014	FY2015	FY2016	Total
Major Projects	\$109.4	\$78.4	\$74.4	\$72.6	\$334.8
Bridge	39.5	41.5	41.8	46.0	168.8
Traffic Safety	30.5	30.5	33.5	30.5	125.0
Pavement Management	26.8	31.0	30.0	30.0	117.8
Highway	39.4	26.8	22.3	11.5	100.0
Interstate	13.5	12.5	15.5	18.0	59.5
Enhancement/Planning/Study	11.3	11.3	11.3	11.3	45.2
CMAQ	10.3	10.3	10.3	10.3	41.2
Administrative	9.1	9.1	9.1	9.1	36.4
Bicycle/Pedestrian/CMAQ	12.4	9.1	5.1	5.1	31.7
Rail - Transit	40.5	44.9	50.8	47.7	183.9
Total	\$342.7	\$305.4	\$304.1	\$292.1	\$1,244.3

\$ in millions.

Analyst's Note: The Highway Improvement Plan shows the funding needed to pay expenditures for the projects on a state fiscal year basis (July 1 through June 30); whereas the TIP lists funding required at the time of a project authorization by federal fiscal year (October 1 through September 30).

Highway Improvement Program - Major Projects

Providence Viaduct: RIDOT successfully secured a \$10.0 million Transportation Discretionary Grant through ARRA, a Transportation Investment Generating Economic Recovery (TIGER) grant. This grant was used to begin the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place Mall. The I-95 Viaduct is deteriorating at a faster rate than originally anticipated and now requires bi-monthly inspections as a condition of remaining open to traffic. The project consists of replacing the current structure, which was built in 1964. Total project cost will be approximately \$177.0 million. Design costs for this project are included in the TIP in 2013, with \$20.0 million programmed per year for construction beginning in FY2013 until project is completed. Phase I (Southbound) of the project is tentatively scheduled to be completed in FY2017, with final completion of the project tentatively scheduled for FY2022.

Pawtucket River Bridge: In 2008, the Department was forced to place a weight and axle limit on the Pawtucket River Bridge (Bridge 550) on Route 95 in Pawtucket. Vehicles were restricted to a maximum of 18 tons (36,000 pounds) and no more than two axles per unit. These restrictions resulted in an estimated \$2.2 million in additional revenue annually through fines levied on violators. The restrictions have also diverted truck traffic to Pawtucket city streets and alternate routes, while increasing the cost of intrastate and interstate shipping for some companies.

In 2009, the TIP was amended to include an estimate of \$55.0 million to reconstruct Bridge 550, but in August of 2010, when bids were opened, costs for the project were reduced by \$18.0 million. Portions of the bridge were re-opened to traffic by Spring 2012. This section of the bridge carries traffic for I-95 North, and allowed RIDOT to lift the 18-ton weight limit for northbound truck traffic. In the Fall of 2012, RIDOT shifted all traffic to the new structures and eliminated the current 18-ton weight restriction for northbound and southbound traffic on I-95. The entire project was completed in late 2013 (FY2014).

GARVEE Funded Projects: Within the Major Projects Category, there are five projects that are funded through a federally-endorsed financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle). In 2003, RIDOT obtained permission to use a GARVEE, which allows the state to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. The debt service on GARVEE bonds is paid through the FHWA allocation; this amount is \$48.4 million in both FY2014 and FY2015. In Article 36 of the FY2004 Budget as Enacted,

the General Assembly passed a Public Corporation Debt Management Joint Resolution authorizing the issuance of bonds to complete the following five (5) major transportation infrastructure projects.

Project	GARVEE Funding	Other Funding	Total Cost
Route 195 Relocation (the I-Way)	\$303.2	\$309.6	\$612.8
Phase II, Route 403	92.2	109.5	201.7
New Sakonnet River Bridge	113.9	129.2	243.1
New Washington Bridge	79.1	-	79.1
Freight Rail Improvement Project (FRIP)	31.7	203.5	235.2
Total	\$620.2	\$751.7	\$1,371.9

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

I-195 Relocation: The Budget includes \$612.8 million through FY2017 (including \$195.3 million in other highway funds, \$303.2 million in GARVEE bond funding, and \$39.4 million in Land Sale Revenue), to complete the I-195 Relocation project (aka I-Way). The project involves relocating a 1.6 mile stretch of Interstate 195 (I-195) and a 0.8 mile segment of Interstate 95 (I-95). The project has relocated the highway spans to the south of the Hurricane Barrier, and has created more than 20 acres of developable land along the Providence waterfront. This project has entered its final phases, which include landscaping, surface road relocation, demolition of old portions of the highway, construction of a pedestrian bridge and park amenities, and two additional ramps. The Budget includes \$4.6 million in FY2014 and \$18.8 million in FY2015 in Land Sale Revenue, for this project, which is scheduled to be completed in FY2017.

Washington Bridge Repairs: The Budget includes \$79.1 million in GARVEE bond funding through FY2016 for the construction of a new eastbound span on the Washington Bridge, to replace the existing span, which was constructed in 1928. The westbound span was reconstructed in 1970. Additional construction will occur in conjunction with the I-195 relocation through FY2016.

Completed GARVEE Projects

Sakonnet River Bridge: The State spent \$243.1 million (including \$99.5 million in other highway funds and \$113.9 million in GARVEE bond funding) through FY2013 to replace the existing Sakonnet River Bridge. The Sakonnet River Bridge has had weight restrictions placed on truck and trailer traffic, and has deteriorated rapidly across the center span. The new bridge was constructed adjacent to the existing structure. The old bridge, which was built in 1956, is being demolished. There are no funds recommended beyond FY2014 for this project.

Analyst's Note: The FY2013 Budget as Enacted authorized the transfer of ownership of the Sakonnet River Bridge to the Rhode Island Turnpike and Bridge Authority.

Freight Rail Improvement Project (Third Track): The State spent \$235.2 million, including \$31.7 million in GARVEE bond funding and \$87.6 million in other highway funds, for the Freight Rail Improvement project. This project involved the rehabilitation or construction of over 22 miles of track, between Central Falls and West Davisville, to allow for an expanded role of freight rail in commercial and industrial development in Rhode Island. There is no additional funding for this project beyond FY2013.

Quonset Access Road – Route 403: The State spent \$201.7 million, including \$92.2 million in GARVEE bond funding and \$85.2 million in other highway funds, for the Quonset Access Road project. This project involved constructing a new freeway segment from Route 4 in East Greenwich to the Quonset Industrial Park. The freeway segment is 4.5 miles long and has four lanes. Stage I of the project was funded by Federal Highway allocations and focused on construction in and adjacent to the roadways of Quonset and West Davisville; Phase II, which was funded through GARVEE and Gas bonds, connects Phase I with Route 4 in East Greenwich. This project was completed in FY2013.

INFRASTRUCTURE - MAINTENANCE

The Maintenance program has the fewest component units, but provides routine maintenance for all state roads and bridges. The Maintenance program oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within state right-of-ways, coordinates and schedules paving and crack-sealing, works with local communities to advance joint projects, and maintains all highway lighting and signage.

Infrastructure - Maintenance	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Other Funds	\$39.2	\$48.4	\$48.7	\$0.3	0.7%	\$39.4	(\$9.0)	-18.5%
Authorized FTE Levels	218.0	218.0	222.0	4.0	1.8%	222.0	4.0	1.8%

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

For FY2015, the Budget includes a decrease of \$9.0 million in other funds, including a \$14.7 million transfer to the Rhode Island Turnpike and Bridge Authority, as a result of the restructuring of transportation funding. This decrease is offset by an increase of \$2.6 million for RICAP funded projects, \$1.2 million for winter maintenance, \$1.0 million for vehicle maintenance, and \$845,590 for general maintenance activities, such as trash and debris removal, landscaping, sand removal, graffiti removal, and catch basin cleaning.

Analyst's Note: The FY2015 Budget as Enacted transfers \$14.7 million to the Rhode Island Turnpike and Bridge Authority (\$0.035/gallon of the motor fuel tax). RIDOT will lose an equal amount of revenue for its maintenance program, including a reduction of \$5.2 million for maintenance operations, \$3.5 million for vehicle maintenance, and \$5.9 million for winter maintenance. It is the General Assembly's intent that revenues generated from Article 21 will be used to supplement the reduction of gas tax that RIDOT will receive for maintenance operations; however, the additional funds were not included in the FY2015 Budget as Enacted.

Winter Maintenance

The State spent 18.3 percent of motor fuel tax proceeds, or \$16.7 million, on winter maintenance in FY2014. During winters between FY2009 and FY2013 the average cost of maintaining the State's 1,300 miles of roads was \$13.1 million.

DOT - Winter Maintenance Costs - FY2005 - FY2014

	Costs	Hours	Avg. Cost per Hour	5 Yr. Avg.
FY2005	\$18,526,827	486	\$38,121	\$13,585,365
FY2006	8,600,217	233	36,911	12,605,409
FY2007	3,965,452	212	18,705	11,938,499
FY2008	7,871,314	290	27,142	10,672,762
FY2009	14,323,698	354	40,462	10,657,502
FY2010	11,900,000	374	31,818	9,332,136
FY2011	17,876,927	421	42,463	11,187,478
FY2012	7,511,658	162	46,368	11,896,719
FY2013	13,711,876	392	34,979	13,064,832
FY2014	16,689,191	437	38,190	13,537,930

To date, FY2005 represented the highest winter maintenance cost, at \$18.5 million, with more than 486 hours of state employee and contractor time spent clearing the roads.

During the 2013/2014 winter season, approximately 43.8 inches of snow fell. Twenty-two storms were recorded, and 437 hours were spent treating and clearing the roads. This is in comparison to 392 hours and sixteen storm events during the 2012/2013 winter season.

Actual winter maintenance expenditures are \$3.6 million more than the \$13.1 million included in the FY2014 Budget as Enacted and \$1.2 million more than the \$15.5 million for Winter Maintenance included in the FY2014 Revised Budget. For FY2015 the Budget includes \$8.4 million.

There are typically three types of costs involved in the treatment of roads for every storm: state costs, including truck maintenance and labor; vendor costs (plow contractors); and materials costs.

State Cost

Included in this category are the maintenance of equipment, RIDOT staff hours spent performing winter maintenance operations, and overtime. There are approximately 88 state vehicles dedicated to winter maintenance. All vehicles are available for usage; however, 45 of these trucks have outlived their useful life and have required major repairs within the last two years. After each storm, the State inspects the winter maintenance vehicles for damage.

Analyst's Note: In 2005, RIDOT began a cooperative agreement with RIPTA to repair some of its vehicles instead of contracting with private mechanics. RIPTA currently services approximately 40.0 percent of RIDOT vehicles, and RIDOT hopes to have RIPTA begin to service all of the winter maintenance vehicles. The Budget includes RICAP funding of \$3.5 million in FY2015 and \$900,000 in FY2016 to convert the former RIPTA maintenance facility on Elmwood Avenue to a cooperative maintenance facility for RIDOT heavy fleet vehicles and RIPTA buses.

Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state road. While the State has the ability to call up to 300 vendors, a typical storm event will result in a call to approximately 250 vendors. There is no set rate for all vendors: sample rates include \$95/hour for small trucks; \$150/hour for the largest trucks; \$125/hour for front end loaders, with additional fees paid based on accessories, plow side and types of material spreaders. In addition, a 22.0 percent adjustment is applied to these rates in FY2014 to cover fuel costs. Beginning in FY2012 and continuing for FY2014, the Department is offering a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This would allow the vendor to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

Material Cost

Salt and sand costs are dependent on contract and market prices. The current average cost for salt is \$55.98 per ton, including delivery. A national road salt shortage impacted Rhode Island during the winter of 2014, and the department was forced to conserve salt usage during February through early March. The Department contracted to purchase salt at \$55.98 per ton; however, additional storms brought expenditures for road salt from \$5.3 million to approximately \$6.8 million this fiscal year. Sand is very inexpensive, by comparison, costing approximately \$13.09 per ton. In FY2012, RIDOT began using a new technology to produce a solution of brine, which is water mixed with salt. This solution is used to pre-treat the roads prior to storms, so long as pavement temperatures stay above 25 degrees Fahrenheit. The brine solution costs \$0.20 per gallon, and when roads are pre-treated with this brine solution, it results in a more efficient use of salt.

MANAGEMENT AND BUDGET

The Management and Budget program is made up of three divisions: Administrative Services, Financial Management, and Transportation Support Division. The Administrative Services division provides contract administration, education, minority advancement, conformance review for federal laws and regulations, and programming, administration, and coordination with the University of Rhode Island's

Transportation Center. The Financial Management division oversees the Department's budget, including federal, state, capital and other funds. The Fleet Operations division maintains the Department's communications systems and vehicles in the RIDOT fleet, from passenger vehicles to heavy equipment.

Management and Budget	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted		FY2015 Enacted	Change from Enacted	
Other Funds	\$1.7	\$1.5	\$2.2	\$0.6	39.8%	\$2.2	\$0.7	44.7%
Authorized FTE Levels	35.0	38.0	55.0	17.0	44.7%	55.0	17.0	44.7%

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

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The increase of \$701,091 is due primarily to the shift of employees into this division to align personnel with federal employee classifications for recovery of indirect costs.

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 \$790,254 in FY2014 and \$500,000 in FY2015 to repair and renovate existing state highway maintenance facilities. Funds will be used for roof replacements, plumbing, boiler repairs, and pavement projects.

Portsmouth Facility: The Budget includes \$2.1 million in general obligation bond funds and \$3.5 million in RICAP funding from FY2014 through FY2017 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 RICAP funding of \$671,435 in FY2014 and \$1.0 million in FY2015, and each year thereafter, to construct salt storage facilities across the state where salt is currently stored uncovered. Projects are pending for demolition of the old facilities and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

Rhode Island Public Transit Authority

Revenues by Source	Actual FY2013	FY2014 Revised	FY2015 Board	Change from	
				Revised	
Motor Fuel Tax	\$40.8	\$40.7	\$40.7	\$0.0	0.0%
Passenger Revenue	24.4	24.0	24.2	0.2	0.8%
Special Revenue	0.9	0.9	0.9	0.0	0.7%
Other Revenue	12.6	11.5	11.6	0.0	0.1%
Federal Funds	21.3	21.2	22.1	0.9	4.2%
DHS - RIDE	\$0.8	\$0.8	\$0.8	-	0.0%
Total	\$100.7	\$99.1	\$100.2	\$1.1	1.1%
Expenditures by Category					
Salaries, Wages and Benefits	\$70.3	\$68.4	\$71.3	\$3.0	4.3%
Contract Services	10.4	9.8	9.6	(0.2)	-1.7%
Operating Expenses	18.2	19.7	18.9	(0.8)	-4.3%
Capital Match	-	0.5	0.3	(0.2)	-44.9%
Revolving Loan Fund	-	0.4	0.7	0.3	94.0%
Self Insurance Reserve	-	0.3	0.3	-	0.0%
Total	\$98.9	\$99.0	\$101.1	\$2.1	-35.6%
Surplus/(Deficit)	(\$1.8)	\$0.1	(\$0.9)	(\$1.0)	-0.1%
FTE Levels	820.0	826.0	826.0	-	0.0%

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhance air quality

MAJOR ISSUES AND TRENDS FOR FY2015

The most significant fiscal challenges facing RIPTA revolve around the need to align its expenditures with a stable revenue stream, as gasoline tax revenues decline and federal funds remain flat. The FY2015 Budget approved by the Board reflects a deficit of \$854,770; however, only the pay-go portion of Other Post-Employment Benefits (OPEB) is included. The unfunded OPEB liability as of June 30, 2013, is \$37.4 million.

The Budget includes \$1.7 million in FY2014 and \$1.8 million in FY2015 to assist RIPTA by transferring debt service payments to general revenue in the Department of Administration. Additionally, the Department of Administration assumed RIPTA's debt service of \$1.6 million in FY2013. The Budget proposes that RIPTA should be responsible for its own debt service payments after FY2015.

Article 21 of the FY2015 Budget as Enacted makes several changes to the way transportation is funded. The Article provides an annual allocation of 5.0 percent of available proceeds in the Rhode Island Highway Maintenance Account, beginning on July 1, 2015. This is estimated to be approximately \$2.0

million in FY2016, growing to approximately \$4.0 million in FY2019, as additional general revenue funds are directed to the Highway Maintenance Account.

This initiative should provide some relief for RIPTA, which has seen its financial situation worsen as gas tax revenue, RIPTA's main source of income, declines due to vehicles becoming more fuel efficient and as consumption of fuel decreases due to an increase in price. Currently, 41.1 percent of RIPTA's revenue (\$40.7 million in FY2014, total revenue of \$99.1 million) comes from gas tax proceeds. This is expected to decrease to 40.6 percent in FY2015 (\$40.7 million, total revenue of \$100.2 million). RIPTA receives 29.5 percent of the total gas tax collected (9.75 cents of the 33.0 cent gas tax charge), plus an additional penny allocated to the Department of Human Services and transferred back to RIPTA for senior and Americans with Disability Act (ADA) passengers using the RIdE program. The value of a penny of gas tax has declined by 13.9 percent since FY2005.

Year	Per Penny Yield
2005	\$4,834,986
2006	4,805,619
2007	4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014*	4,168,174
2015*	4,162,981

*November 2013 estimate

Comprehensive Operational Analysis (COA): In June 2013, the Authority completed a year-long Comprehensive Operational Analysis (COA) to take an in-depth look at RIPTA services to identify what RIPTA does well, as well as potential opportunities to enhance the transit network. The goal of the analysis was to make service easier to use and understand; make service more convenient, faster and more direct; and to better match service to demand. This resulted in changes to approximately 85.0 percent of fixed bus routes (47 out of 55 routes). These changes were designed to work within RIPTA's existing budget and to direct transit resources where they would be most effective. Changes began in the Fall of 2013 and will be implemented over a 2-year period.

One of the questions raised during RIPTA's COA process was whether the use of a single downtown hub is still the most appropriate means for RIPTA to serve downtown Providence, or whether RIPTA should shift to a multi-hub approach that could better serve a geographically expanding downtown. A multi-hub approach could also disperse passengers and buses away from Kennedy Plaza to both improve transit service and assist with Kennedy Plaza/Burnside Park renewal efforts. RIPTA awarded a \$120,000 contract to Nelson Nygaard to define multiple hub alternatives, develop operating plans, and develop conceptual hub layouts. This scope of work project was completed in March 2014.

Mass Transit Hub Infrastructure: Article 5 of the FY2015 Budget as Enacted includes a referendum for a \$35.0 million general obligation bond authorization be placed on the November 2014 ballot, which will be used to provide for multiple alternative public transportation hubs, including Kennedy Plaza, the Providence Amtrak train station and near the Garrahy Courthouse, which is located near land being redeveloped following the relocation of I-195. The alternative transportation hubs were recommendations included in the COA.

Fuel Costs: Diesel fuel costs have fluctuated dramatically over the past five years, and these fluctuations have a significant impact on the RIPTA operating expenses. The FY2015 budget is based on a fuel price of \$3.30 per gallon, \$0.10 more than the FY2014 Budget. There is limited storage for diesel fuel in Rhode Island, and lock-in prices with fuel supply companies typically reflect prices \$0.10 to \$0.15 per gallon above the market price at the time of the lock-in. These factors combine

Year	Average Market Price	Average Lock-in Price	Total RIPTA Spending ¹
2010	\$2.37	\$2.36	\$6.1
2011	2.96	2.98	7.5
2012	3.35	3.36	8.1
2013	3.35	3.10	7.4
2014 Projection	3.23	3.22	7.7
2015 Projection	3.30	3.21	7.4
5-year average	\$3.05	\$3.00	\$7.4

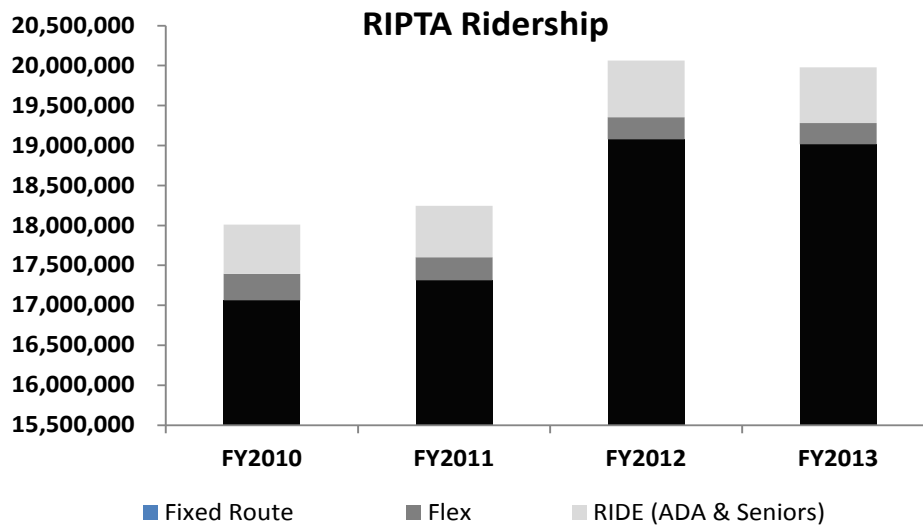
Source: RIPTA

¹ \$ in millions.

to make fuel costs a difficult variable to forecast in the budget process. RIPTA traditionally uses 2.5 million gallons of fuel each year. RIPTA locked-in a fuel price of \$3.23 from October 2013 through March 2015. An additional lock-in of \$3.16 from April 1, 2015, to October 1, 2015, combined with the use of hybrid buses and a newer fleet should provide some savings for the Authority.

Ridership: RIPTA offers three types of transit service: fixed route service consists primarily of regular bus service on established routes; Flex service provides van transportation within a limited geographic area; and the RId program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2013, RIPTA's total ridership was 20.0 million passengers, a net decrease of 0.4 percent from FY2012. The following table shows ridership, by category, for RIPTA for FY2010 through FY2013.



Analyst's Note: Ridership increased by 10.2 percent between FY2011 and FY2012. RIPTA attributes this increase to a spike in gasoline prices, resulting in more people using public transportation as opposed to personal vehicles. The U.S. Energy Information Administration reports that New England gas prices rose from an average of \$2.86 per gallon in 2010 to \$3.79 per gallon in 2012, an increase of 32.5 percent.

Human services transportation categories (RId and Flex) have grown 13.0 percent since FY2010, a trend which is also visible in the use of wheelchair vans and private ambulance companies through the Department of Human Services (DHS). In 2010, RIPTA assisted DHS in a study that identified \$61.8 million in annual expenditures on human services transportation in Rhode Island and found that providers of services to the developmentally disabled were using RId services for trips other than those for non-emergency medical transportation. The budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) also includes funding for transportation to and from community activities in the daily rates it pays providers. RIPTA reports that DD providers are choosing instead to register clients under the Americans with Disabilities Act (ADA) and transfer the cost to RId.

Beginning on May 1, 2014, the State Office of Health and Human Services contracted with LogistiCare to coordinate transportation services for Medicaid beneficiaries and individuals over the age of 60 who do not have access to non-emergency medical transportation. RId is now one of 20 providers utilized by the Department to provide transportation services, and the number of rides provided each day by RId has been reduced from approximately 2,000 to 700. RIPTA is currently in the process of assessing how

to redeploy personnel, although with less than two months of data, the exact impact of this change is still being evaluated.

CAPITAL PROJECTS

The Budget includes \$65.8 million in capital expenditures, of which \$732,790 is Rhode Island Capital Plan (RICAP) funded and \$53.3 million is funded by the Federal Transit Administration and other federal funds, between FY2014 and FY2018, including the following:

- **Bus Purchases:** RIPTA has a fixed route fleet of 236 vehicles, including 204 fixed route buses, 15 fixed route trolleys, and 17 30-foot flex zone buses. During FY2015, RIPTA will retire 7 buses that were put into service in 2001 and purchase 5 new clean diesel buses; RIPTA will also retire five trolleys, four in service since 2001 and one in service since 2004, and purchase 2 new trolleys. The retired vehicles have outlived their useful lifespan. All new buses will run on clean diesel fuel.
- **Paratransit Vehicles:** RIPTA maintains a fleet of 125 vehicles for the paratransit program, also known as RIdE. FTA guidelines specify that paratransit vehicles should not be used for more than an average life of five years. RIPTA will purchase 15 vehicles in FY2015, replacing seven buses manufactured in 2006 and eight buses manufactured in 2008.
- **Land and Buildings Enhancements:** This project renovates existing Park and Ride lots and construction of new Park and Ride lots. Improvements may include repaving, lighting, fencing, security enhancements, and other amenities. The Budget includes \$3.0 million from all funds, including \$223,529 in RICAP funding, in FY2015 for this project.



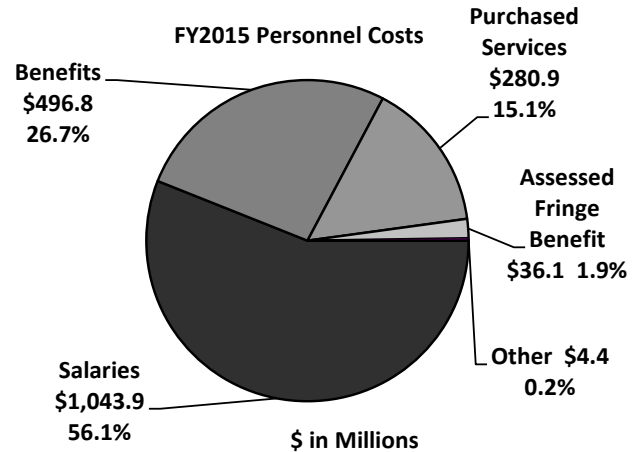
SPECIAL REPORTS

Personnel

The FY2015 Budget as Enacted includes a total of \$1,862.1 million for personnel expenditures, an increase of \$36.8 million compared to the FY2014 Budget as Enacted, and \$33.8 million less than the FY2014 Revised Budget. Salaries and benefits total \$1,540.7 million and comprise 82.7 percent of FY2015 personnel expenditures (52.5 percent of the salaries and benefits costs are supported by general revenue).

PERSONNEL EXPENDITURE TRENDS

Expenditures in salaries in FY2015 total \$1,043.9 million, comprising 56.1 percent of total personnel costs, an increase of 2.1 percent from FY2014. Retiree health benefits are slightly lower (\$1.6 million), than appropriated in FY2014. Pension costs increase 3.3 percent as compared to the FY2014 Budget as Enacted and increase 2.4 percent as compared to the FY2014 Revised Budget. Total benefit costs, which also include assessed fringed benefits and other benefits, amount to \$537.3 million and comprise 28.9 percent of total personnel costs. Benefits increase \$6.9 million from the FY2014 Budget as



Enacted. Purchased services costs are \$280.9 million (15.1 percent) of the total personnel costs. Purchased services increase \$3.9 million from the FY2014 Budget as Enacted.

Expenses by Description	FY2013	FY2014	FY2014	FY2015	% of		
	Actual	Enacted	Revised	Enacted	Total	Change to Enacted	
Salaries	\$993.5	\$1,022.5	\$1,029.9	\$1,043.9	56.1%	\$21.4	2.1%
Benefits	448.4	489.9	484.1	496.8	26.7%	6.9	1.4%
Purchased Services	257.6	277.0	342.6	280.9	15.1%	3.9	1.4%
Assessed Fringe Benefits	30.9	31.6	34.9	36.1	1.9%	4.5	14.2%
Other	4.5	4.3	4.4	4.4	0.2%	0.1	2.3%
Total	\$1,734.9	\$1,825.3	\$1,895.9	\$1,862.1	100.0%	\$36.8	2.0%

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

Expenses by Function	FY2013	FY2014	FY2014	FY2015	% of Pers. Budget	FY2015 General	FY2015 General
		Enacted	Final	Enacted		Revenue	Revenue %
General Government	\$249.6	\$270.2	\$312.1	\$265.1	14.2%	\$147.2	55.5%
Human Services	412.8	437.1	465.3	472.1	25.4%	211.0	44.7%
Education	560.9	568.0	568.4	572.3	30.7%	144.7	25.3%
Natural Resource	54.2	63.3	58.6	58.6	3.1%	30.2	51.5%
Public Safety	362.5	380.6	381.5	381.7	20.6%	347.2	91.0%
Transportation	94.9	106.0	109.9	112.3	6.0%	-	0.0%
Total	\$1,734.9	\$1,825.2	\$1,895.9	\$1,862.1	100.0%	\$880.3	47.3%

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

FTE POSITIONS

The FY2015 Budget as Enacted authorized 15,086.0 FTE positions. At the start of the fiscal year, 13,828.0 FTE positions (91.5 percent of the original enacted authorized amount) were filled, leaving 1,290.3 FTE positions vacant. As of the June 14, 2014, payroll period, the number of filled FTE positions was 13,891.9 (92.0 percent of the authorized amount) were filled, leaving 1,208.4 FTE positions vacant. Over the last four fiscal years, the state vacancy rate has averaged 8.0 percent, or 1,202.4 FTE positions.

FTEs				FY2014	FY2014	FY2015	FY15 to FY14
	FY2011	FY2012	FY2013	Enacted	Final	Enacted	Change
Authorized	14,849.6	14,935.0	15,076.4	15,118.3	15,100.3	15,086.0	(32.3)
Actual	13,728.2	13,673.8	13,857.8	13,891.9	13,891.9	N/A	N/A
% Filled	92.4%	91.6%	91.9%	91.9%	92.0%	N/A	N/A

**FY2014 actual as of June 14, 2014*

The following table illustrates the number of FTE positions by government function.

Function	FY2014 Enacted	FY2014 Final	Change to Enacted	FY2015 Governor	FY2015 Enacted	Change to Enacted
General Government	2,276.7	2,294.7	18.0	2,305.7	2,298.7	22.0
Human Services	3,747.8	3,743.8	(4.0)	3,744.0	3,744.0	(3.8)
Education	3,883.4	3,882.4	(1.0)	4,001.2	3,890.3	6.9
Public Safety	3,233.6	3,222.6	(11.0)	3,222.6	3,221.6	(12.0)
Natural Resources	428.0	428.0	0.0	428.0	428.0	0.0
Transportation	772.6	752.6	(20.0)	752.6	752.6	(20.0)
Subtotal	14,342.1	14,439.0	(18.0)	14,454.1	14,335.2	(6.9)
Higher Ed. Sponsored Research	776.2	776.2	0.0	642.9	750.8	(25.4)
Total FTE Positions	15,118.3	15,100.3	(18.0)	15,097.0	15,086.0	(32.3)

FY2014 FTE CHANGES

The FY2014 Revised Budget authorizes 15,100.3 FTE positions, a decrease of 18.0 FTE positions from the enacted authorization for FY2014, no change from the level proposed in the Governor's Supplemental Budget.

General Government increases by 18.0 FTE positions.

- An increase of 18.0 FTE positions in the Department of Labor and Training, reflecting an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance Program, an increase of 7.0 FTE positions for the Unemployment Insurance Call Center, an increase of 3.0 FTE positions to administer the Back to Work RI program, and increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.

Human Services decreases 4.0 FTE positions.

- A decrease of 3.0 FTE positions in the Department of Health reflecting the elimination of four vacant positions and a decrease of 1.0 Administrator I (MHRH) FTE position reflecting a technical correction to show that the position is actually located in the Department of Human Services.

Education decreases 1.0 FTE position.

- A decrease of 1.0 FTE position decrease within the Office of Higher Education, reflecting the elimination of an executive assistant position.

Public Safety decreases 11.0 FTE positions.

- This reflects the elimination of a 1.0 FTE General Counsel position and a 1.0 Director of the Rhode Island Municipal Police Training Academy, which were unfunded in the FY2014 Budget as Enacted. The Budget also eliminates 9.0 vacant FTE positions in the Division of State Police.

Transportation decreases 20.0 FTE positions due to long-term vacancies.

FY2015 FTE CHANGES

The FY2015 Budget as Enacted authorizes 15,086.0 FTE positions, 32.3 less than authorized in the FY2014 Budget as Enacted. The FTE changes in the FY2015 budget includes:

General Government increases by 22.0 FTE positions.

- Eliminates 10.0 FTE positions within the Department of Administration to support operations for the Health Information Exchange (HealthSource RI), by using existing vacancies within the Department to add these positions.
- An increase of 18.0 FTE positions in the Department of Labor and Training, reflecting an increase of 7.0 FTE positions to administer the Temporary Caregiver Insurance Program, an increase of 7.0 FTE positions for the Unemployment Insurance Call Center, an increase of 3.0 FTE positions to administer the Back to Work RI program, and increase of 1.0 FTE Medical Records Technician in the Injured Workers Services program.
- A net increase of 13.0 FTE positions in the Department of Revenue, reflecting the addition of 7.0 FTE Revenue Officer I positions in the Division of Taxation to increase enforcement activities; the addition of 7.0 FTE positions for the combined reporting activities consisting of 3.0 FTE Revenue Officer I positions, a 1.0 Legal Officer position in Taxation, a 1.0 Senior Legal Counsel position and a 1.0 Implementation Aide position; and the elimination of 1.0 Chief of Information and Public Relations FTE position.
- An increase of 1.0 FTE position within the Public Utilities Commission, reflecting the addition of a Programming Services Officer in the Consumer Section to address the backlog in consumer billing issues, service quality concerns, and utility service termination proceedings.

Human Services decreases by 3.8 FTE positions.

- A decrease of 2.8 FTE positions in the Department of Health due to the elimination of 3.0 vacant FTE positions offset by a 0.2 FTE position increase reflecting a minor personnel adjustment.
- A decrease of 1.0 FTE position in Behavioral Healthcare, Developmental Disabilities, and Hospitals, reflecting a technical correction to show that a 1.0 Administrator I (MHRH) FTE position is actually located in the Department of Human Services, rather than BHDDH.

Education increases by 6.9 FTE positions.

- A decrease of 16.5 FTE positions in the Department of Elementary and Secondary Education due to the end of the federal Race to the Top grant award.
- A net increase of 24.4 FTE position within Public Higher Education, reflecting the elimination of an 1.0 Executive Assistant position within the Office of Higher Education and the shift of 25.4 FTE positions from federal-sponsored research to non-sponsored positions at URI (19.4 FTE positions) and CCRI (6.0 FTE positions), restructuring higher education personnel. Funding will shift from federal or private funds to either general revenue or university and college funds when filled. These positions are currently vacant.
- Eliminates 1.0 FTE vacant position with the Rhode Island Higher Education Assistance Authority, unfilled as of the May 31, 2014, payroll period.

Public Safety decreases by 12.0 FTE positions.

- An increase of 3.0 FTE positions in the Office of the Attorney General for the Medicaid Fraud Unit; including 2.0 FTE Investigator positions and 1.0 Staff Attorney position. The investigator positions will be federally funded, while the staff attorney position will receive partial federal funding and require a 25.0 percent State match.
- A decrease of 3.0 FTE positions in Judiciary reflects a reduction of vacant positions including 1.0 Judge at the Workers' Compensation Court, 1.0 Magistrate at Superior Court, and 1.0 Magistrate at District Court.
- A decrease of 12.0 FTE positions in Public Safety including 1.0 FTE Paralegal Clerk in the Central Management division which was assigned to assist staff attorneys in departmental legal matters, a 1.0 FTE General Counsel position, and a 1.0 Director of the Rhode Island Municipal Police Training Academy. The Budget also eliminates 9.0 vacant FTE positions in the Division of State Police.

Transportation decreases 20.0 FTE positions due to long-term vacancies.

For a full listing of FTE positions by agency, refer to the summary table in the appendix.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Governor instructed the Director of the Department of Administration to undertake a comprehensive analysis of the State's personnel system before the close of FY2013, to recommend alternatives to what the Governor believes is a cumbersome and outdated system, and to provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits. The FY2013 Budget as Enacted included \$250,000 to commence the analysis. The Department of Administration awarded a contract to The Segal Group to conduct this review. On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

- The structure, organization, and staffing of the State's Human Resources division is not sufficient to support the State's human capital needs.
- The current recruitment and selection processes are highly paper-based, with outdated and cumbersome procedures that often delay the process and impede hiring managers' ability to identify and employ qualified candidates on a timely basis.
- The job classification structure and job descriptions do not reflect the skills and qualifications required to deliver 21st century government services.
- The compensation structures and pay delivery policies are non-competitive, highly rigid and insufficient to attract and retain skilled employees.

To begin implementing the findings of this report, the Governor recommended \$500,000 in the FY2014 Revised Budget to fund an Employee Classification Study and an Employee Compensation Study. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The goal of the Employee Compensation Study is to review the State's current compensation system and to develop appropriate method to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

A Request for Proposals to begin the study was issued in October 2013 and a bid opening was held on December 13, 2013. The Department of Administration completed the contract award to Gallagher

Benefit Services, Incorporated of Ithaca, Illinois was completed on May 27, 2014 with a contract period from May 27, 2014 to December 31, 2015, and the cost cannot to exceed \$843,275.

STATE EMPLOYEE CONTRACT AGREEMENT

On April 10, 2014, the Governor announced an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases.

The current agreement is projected to increase general revenue expenditures by \$2.7 million in FY2014 (reflecting one quarter) and \$24.3 million in FY2015. General revenue comprises approximately 50.0 percent of the total personnel costs.

There are two bargaining units that are not party to the new contract agreement. The Troopers Association of the Rhode Island State Police is currently in arbitration and the Rhode Island Brotherhood of Correctional Officers has notified the State that it will seek arbitration.

COST-OF-LIVING ADJUSTMENTS

Prior to the April 10th agreement, the last COLA adjustment (6.0 percent total) was given to state employees in two installments occurring January 2, 2011, and June 19, 2011.

Beginning July 1, 2011, the State no longer gives longevity increases for non-union state employees. Longevity benefits for unionized state employees ceased upon the expiration of the bargaining unit contracts on June 30, 2012.

The Salary Schedules include various pay grades and within those pay grades there are individual steps (usually 4 to 5 steps) which represent an employee's "Base Rate" salary. The 2.0 percent COLA will be added to the Salary Schedules thereby adjusting each of the pay steps within the various pay grades to create a new "Base Rate".

Longevity is not part of the Base Rate, rather it is the percentage that was in effect on June 30, 2011, for nonunion employees/June 30, 2012, for union employees), and applied to the Base Rate to create the "Total Rate," i.e. Base Rate + Education Incentive (if any) x Longevity % = Total Rate.

Effective Date	Percentage Increase
30-Jun-02	4.5%
27-Jun-04	1.5%
25-Jun-05	2.5%*
26-Jun-05	4.0%
25-Jun-06	3.0%
24-Jun-07	3.0%
21-Jun-09	2.5%
2-Jan-11	3.0%
19-Jun-11	3.0%
6-Apr-14	2.0%
5-Oct-14	2.0%
4-Oct-15	2.0%

Source: State Personnel Office

*Not compounded on 1.5%

FY2015 BUDGET AS ENACTED

The negotiated COLA agreements will be honored by the State. The Budget does not add funds for the increased COLA compensation rather the Budget increases the amount of statewide turnover by 3.5 percent comparable to the amount of the personnel increase for the COLA increase. Therefore, the increased personnel costs will be covered through increased personnel turnover savings.

STATE EMPLOYEE HEALTH CO-SHARES

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased between FY2010 and FY2012, and have since held constant, 15.0 percent for employees earning \$47,741 or less, 20.0 percent for employees earning \$47,741 to \$95,481, and 25.0 percent for employees earning more than \$95,481.

To ensure that the lower paid state employees are not negatively impacted by the COLA increase, the 2014 agreement will reset the lowest salary threshold of \$47,741 by 2.0 percent as of April 6, 2014, (\$48,696) and adjust the lowest threshold again by 2.0 percent to \$49,670 on October 5, 2014.

Family Plan Co-share - Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$25,000	13.5%	Below \$46,350	14.0%	Below \$47,741	15.0%	\$124.28
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	47,741 - 95,481	20.0%	165.70
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	207.13
45,000 - 74,999	20.0%					
75,000 - 89,999	20.0%					
Over \$90,000	25.0%					

Individual Plan - Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$45,000	15.0%	Below \$46,350	17.5%	Below \$95,481	20.0%	\$59.13
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	73.91
75,000 - 89,999	20.0%	Over \$92,700	25.0%			
Over \$90,000	25.0%					

The April 10 agreement creates new deductibles on state employee health insurance. Effective January 1, 2015, the medical deductibles will be \$250 for an individual plan and \$500 for a family plan. In addition, the agreement increases the point of service co-payments effective the first pay period after June 29, 2014, for medical appointments and service. This is the first increase since 2008.

Point of Service	5/1/2005	10/1/2008	7/1/2014
Primary Care	\$10	\$10	\$15
Specialist Visit	10	20	25
Urgent Care	10	35	50
Emergency Co-payment (waived if admitted)	25	100	125
Pharmacy	Tier 1	5	7
	Tier 2	12	25
	Tier 3	30	45

STATE EMPLOYEE MEDICAL SAVINGS

The Budget Office in consultation with Hewitt Associates developed a new set of working medical rates for state employees resulting in \$3.4 million general revenue savings (\$11.7 million all funds). The new medical rates reflect current state employee health insurance trends, the accepted deductible provisions in the new state employee contract, and a federal change with the flex plan option rules. The State offers three forms of health benefit coverage to state employees: medical coverage (through UnitedHealthcare), dental coverage (through Delta Dental), and vision coverage (through Vision Services Plan). The following table illustrates the revised rates.

	Health Insurance Rates Annual Employer Cost per Employee						
	FY2014 Enacted	FY2014 Governor	FY2014 Revised Governor	Change from FY2014 Governor	FY2015 Governor	FY2015 Revised Governor	Change from FY2015 Governor
Individual							
Medical	\$7,381	\$7,246	\$6,967	(\$279)	\$7,525	\$7,123	(\$402)
Dental	380	382	382	0	405	405	0
Vision	67	59	59	0	60	57	(3)
Total	\$7,828	\$7,687	\$7,408	(\$279)	\$7,990	\$7,585	(\$405)
Family							
Medical	\$20,690	\$20,312	\$19,531	(\$781)	\$21,094	\$19,967	(\$1,127)
Dental	1,061	1,068	1,068	0	1,132	1,132	0
Vision	183	161	161	0	165	157	(8)
Total	\$21,934	\$21,541	\$20,760	(\$781)	\$22,391	\$21,256	(\$1,135)

Source: RI Office of Employee Benefits & State Budget Office

Revenue

The FY2015 Budget as Enacted includes \$154.6 million in revenue changes for FY2015 or \$48.6 million less than proposed by the Governor. After deducting \$156.1 million for the annual hospital license fee, the Budget includes \$1.5 million in revenue reductions. For FY2014 Revised, no additional revenue initiatives were included; however, a revenue change of \$3.3 million was included from bond premium proceeds and were assigned to the Municipal Road and Bridge Revolving Fund. The revised budget does not include any additional revenues as a result of decreased estimates at the May 2014 Revenue Estimating Conference.

FY2015 GENERAL REVENUE ADJUSTMENTS

The Budget contains the following revenue initiatives impacting general revenue receipts. Details of the initiatives follow.

Revenue Item	Total
Hospital License Fee	\$156.1
General Revenue Transfer to Infrastructure Fund	(17.5)
Estate Tax Credit	(9.4)
FTE Increase In Taxation	8.4
Tobacco Bond Proceeds for PILOT	5.0
May 2014 Revenue Estimating Conference	4.7
Property Tax Relief Credit and Earned Income Tax Credit Changes	3.9
Corporate Tax Reform	2.7
Safe Harbor for Use Tax	2.2
Employee Misclassification Task Force	1.8
Alcohol Tax Pilot Extension	(1.6)
Reduced Medicaid Premiums	(1.5)
Remove Indirect Cost Recoveries on Jobs Development Fund	(1.3)
Compliance of Public Employees with State Income Tax Act	1.1
Twin River Marketing	(1.1)
Anti-Zapper Legislation	0.8
Block on New Vehicle Registrations	0.5
Nursing Home Rate Freeze	(0.4)
Parking Garage Rate Increase (DOA)	0.2
Total	\$154.6

\$ in millions

Hospital License Fee

\$156.1 million

The Budget increases the hospital license fee to 5.703 percent, raising licensing fee revenue by \$14.8 million to \$159.3 million. Including the discounted rate for Westerly and South County Hospitals, the net total for the hospital license fee is \$156.1 million.

Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments, which are made to hospitals that deliver care to a large number of uninsured and Medicaid individuals. The Governor's recommended a 5.246 percent hospital licensing fee and DSH payments to hospitals of \$127.7 million. The revised Budget includes a 5.703 percent fee and DSH payments to hospitals of \$138.3 million, based upon an updated federal DSH cap.

Fiscal Year	Rate	Revenue
2007	3.560%	\$66.8
2008	3.480%	73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.418%	145.9
2015	5.703%	155.3

\$ in millions

General Revenue Transfer to Infrastructure Fund**(\$17.5 million)**

The Budget decreases \$17.5 million in general revenue by transferring inspection sticker fees, motor vehicle title fees, and rental car surcharges to the Rhode Island Highway Maintenance Account within the Transportation Infrastructure Fund. These additional funds will be used by the Department of Transportation for highway, road, and bridge maintenance expenses.

Estate Tax Credit**(\$9.4 million)**

The Budget modifies the estate tax by shifting to a tax credit, rather than a current law exemption. Currently estates valued at greater than \$921,655 are subject to the Rhode Island estate tax. Estates valued at less than that are not subject to tax, but for those in excess, tax is owed on the entire value of the estate. This so-called “cliff”, means that estates valued at just over the exemption threshold effectively are taxed on the full value of the estate, and can owe a significant amount in taxes for a low marginal increase over the cliff.

Article 12 modifies the estate tax so that estates are granted a non-refundable credit valued at \$64,400, effectively exempting estates valued at less than \$1.5 million from the estate tax. Estates in excess of the threshold owe tax, but because there would be a credit, tax is not owed on the first \$1.5 million in estate value. The table below demonstrates the change to current law on various estates.

Estate Value	Current Tax Owed	Proposed Estate Tax
\$500,000	\$0	\$0
921,655	0	0
1,000,000	30,555	0
1,500,000	64,400	0
2,000,000	99,600	35,200

The Budget captures \$9.4 million in reduced estate tax revenues in FY2015, based on the change taking effect for estates where the death of the taxpayer occurs on or after January 1, 2015. This impact essentially doubles in FY2016 and beyond.

FTE Increase in Taxation**\$8.4 million**

The Budget increases general revenue by \$8.4 million by hiring 10.0 FTE Revenue Officer 1 positions in the Department of Revenue, Division of Taxation, including 7.0 new FTE positions and restoring funding to hire 3.0 current vacant FTE positions. Each of these positions is estimated to generate approximately \$900,000 per year in collections from personal income taxes, business taxes, sales and excise taxes, and fines and penalties. Responsibilities of this unit include investigating and prosecuting tax law violations as warranted.

Anticipated Collections	Total Revenue
Personal Income Taxes	\$2.7
Sales and Excise Taxes	2.7
Departmental Revenues	2.2
General Business Taxes	0.7
Total	\$8.4

\$ in millions

Tobacco Bond Proceeds for One-Time PILOT**\$5.0 million**

The Budget increases general revenue by \$5.0 million to fund a one-time Payment In Lieu of Taxes (PILOT) increase. These funds were made available through the issuance of Tobacco Settlement Financing Corporation Bonds.

Current law requires reimbursement of 27.0 percent of the tax revenue the municipality would have collected had the property been taxable, but it also allows for a ratable reduction if the appropriation is

less than this amount. The Governor's budget provided for reimbursement of 22.27 percent of forgone tax revenue. The General Assembly's budget increases the reimbursement to 25.44 percent.

The 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.

May 2014 Revenue Estimating Conference

\$4.7 million

The May 2014 Revenue Estimating Conference increased net available general revenues for the state for FY2015 by \$4.7 million more than the Governor's proposal. Estimates for the gross earnings tax on Public Utilities grew by \$14.5 million (14.9 percent), and taxes on Insurance Companies increased by \$8.2 million (7.5 percent). The increases were partially offset by changes to other revenue sources, including a \$17.8 million decrease (13.4 percent) in Business Corporation taxes. The Budget includes the additional revenues for FY2015.

Property Tax Relief and Earned Income Tax Credit Changes

\$3.9 million

The Budget includes \$3.9 million in additional general revenue for changes associated with two credits allowed against the personal income tax (PIT) for low and fixed income taxpayers: the property tax relief (PTRC) and the earned income tax credit (EITC).

Currently, taxpayers with incomes up to 175 percent of the federal poverty level are allowed the PTRC. Under the new rules for this credit, only elderly (over age 65) and disabled claimants are entitled to the PTRC. This change aligns the program to its original purpose, providing relief through a system of tax credits and refunds to elderly who own or rent their homes; in 1988, the purpose was modified to include disabled persons.

The Budget also modifies the calculation of the EITC. Under current law, qualified taxpayers are allowed to take 25.0 percent of the allowable federal EITC against personal income taxes owed; and the State would refund 15.0 percent of that credit. The change reduces the amount of the federal EITC allowable to 10.0 percent of the federal EITC; however, the State refunds 100.0 percent of that amount. The accompanying table shows an example of this change for a single filer with no dependents.

Changes to Earned Income Tax Credit

	Prior	New
Income*	\$14,430	\$14,430
Maximum EITC	487	487
Allowable Federal Credit Amount	25%	10%
Deduction Allowable from RI Tax Owed	122	49
Refundable Amount	15%	100%
Total Refunded to Taxpayer	\$18	\$49

*Single filer, no children.

*Taxpayers with income under \$51,567 may take the federal EITC.

The Earned Income Tax Credit is a refundable tax credit for low and moderate income working individuals whereby the credit 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. It is designed to work in tandem with other cash transfer programs to encourage employment among low-income families. As income rises, cash benefits decrease and the EITC transfer increases as an offset, and in essence, replaces cash benefits and thus encourages employment.

Corporate Tax Reform

\$2.7 million

The Budget reduces the corporate tax rate from 9.0 percent to 7.0 percent and institutes combined reporting. Combined reporting captures the income of Rhode Island corporations and any affiliated companies that are under common ownership, and treats the group as if it is one business. Companies are required to report all income made by all subsidiaries, regardless of the state in which it was earned, and then remit state corporate income taxes on the basis of the entity's economic activity in the state as determined by an apportionment formula (the amount of business activity done within the state as

compared to total business activity). Only businesses that are organized as C corporations with out-of-state affiliates would be subject to combined reporting beginning with tax years beginning on or after January 1, 2015. The decrease in the corporate tax rate places Rhode Island roughly in the middle of the pack nationally, and the State now has lowest top rate in New England.

Business Corporations Tax Comparison: New England			
	Top Rate	Applies to Taxable Income Above:	Minimum Tax
Maine	8.93%	\$250,000	\$-
New Hampshire	8.50%	Flat Rate	-
Vermont	8.50%	25,000	250
Massachusetts	8.00%	Flat Rate	456
Connecticut	7.50%	Flat Rate	250
Rhode Island	7.00%	Flat Rate	500

The change also shifts the current apportionment calculation from the current three-factor apportionment formula to a single-sales factor apportionment formula for all C corporations. This calculates a corporation's tax based on its sales in Rhode Island versus its total corporate and affiliate sales, and disregards property and payroll factors.

Under current law, the State has a franchise tax on S-corporations, similar to the \$500 annual minimum corporate tax. The Budget eliminates the franchise tax effective July 1, 2015, instead requiring S-corporations to pay the minimum corporate tax under 44-11-2(e). Taxpayers must pay the higher of the corporate tax or minimum tax liability, but not both.

Based upon actual tax filings of companies under this act for a two year period, the tax administrator is directed to report on the impact of the reforms under this Article to the Chairs and Advisors of the House and Senate Finance Committees or before March 18, 2018.

Safe Harbor for Use Tax

\$2.2 million

The Use Tax is owed to the State on tangible personal property purchased from vendors that do not collect and remit sales tax to Rhode Island. The Division of Taxation reported in 2011 only 958 returns (0.2 percent) of 492,402 personal income tax returns reported use tax. For tax year 2014, the Division of Taxation will establish a lookup table referencing taxpayers' federally adjust gross income (AGI) for the purpose of calculating use tax owed. The Budget adds a "safe harbor" provision in Article 12, affirming that taxpayers claiming the flat amount determined by this table on a personal income tax return will be absolved of any penalties should the taxpayer later be the subject of an audit that determines use tax was underpaid. The Budget includes a \$2.2 million increase in general revenues based on voluntary compliance from this proposal.

Employee Misclassification Task Force

\$1.8 million

The Budget creates a Statewide Task Force to Combat Employee Misclassification in Article 16, consisting of representatives of the Department of Labor and Training, Division of Taxation, Department of Business Regulation's Workforce Regulation and Safety Division, Office of the Attorney General, and the Department of Public Safety. Rhode Island law would be modified to create a Unified Statutory Definition of the Terms "Employee" and "Independent Contractor" in order to classify employees properly and modifies the filing requirements for independent contractors, ensuring critical benefits and protections. General revenue increases by \$1.8 million, including \$990,000 in personal income taxes and \$810,000 in fines and penalties.

Alcohol Tax Pilot Extension

(\$1.6 million)

The Budget expands the Alcohol Tax pilot program established in the FY2014 Budget as Enacted, extending the sales tax exemption on certain alcoholic beverages to June 30, 2015. The FY2014 Budget as Enacted eliminated the sales tax on spirits and wine and increased the excise tax on beer, spirits, and wine, only through March 31, 2015. This change will allow for the pilot program to coincide with the fiscal year. The intent of this pilot program is to allow for the Division of Taxation to collect necessary data to evaluate the impact of excise tax changes in comparison with neighboring states. The Budget also

corrects current Rhode Island General Laws to reflect the correct excise tax rates on alcohol; these rates were inadvertently changed in the FY2014 Budget as Enacted and should have only been revised in 2013 Public Law Section 16, Article 9, Chapter 144.

Reduced Medicaid Premiums

(\$1.5 million)

The Budget decreases insurance premium tax revenue by \$1.5 million due to departmental savings initiatives that are expected to lower Medicaid managed care premiums. Since these premiums are subject to the premium tax, the Budget recognizes a commensurate reduction in premium tax revenue. Decreases are attributed to a reduction in the managed care rate (\$468,365); recertification impact to premium tax (\$326,221); recertification impact to premium tax (\$389,486); long term care eligibility (\$27,517); nursing home rate freeze (\$132,176); a review of purchasing durable medical equipment based on audits done by the Office of the Inspector General (OIG) (\$40,024); and imaging services utilization reviews (\$80,048).

Remove Indirect Cost Recoveries on Job Development Fund

(\$1.3 million)

RIGL 35-4-27 is amended to exempt funds collected for the Job Development Fund from the 10.0 percent Indirect Cost Recovery assessed to restricted receipt accounts. The Job Development Fund is projected to receive \$12.9 million in revenue for FY2015. Exempting this fund from the Indirect Cost Recovery will reduce general revenue receipts by \$1.3 million in FY2015.

Compliance of Public Employees with State Income Tax Act

\$1.1 million

Article 12 creates the Compliance of Public Employees with State Income Tax Act, which requires all public employees to be in compliance with Rhode Island personal income tax laws as a condition of employment. If a public employee is found to have an outstanding liability, the employee must agree to be on a payment plan or would have their wages garnished. The Budget includes \$1.1 million for this enforcement, including \$440,000 from State employee compliance and \$691,782 from municipal employee compliance.

Twin River Marketing

(\$1.1 million)

Article 13 directs the Division of Lottery to contract for increased State shares of marketing expenses at Twin River. Twin River approached the State about an expanded cost-share program to help minimize the negative fiscal impact of Massachusetts casinos that are set to begin operations in FY2016. Currently the State participates in the first \$10.0 million in qualified marketing expenses annually. The State share is equal to the percentage that the State captures of video lottery terminal net terminal income (61.05 percent). Twin River is responsible for the first \$6.0 million in marketing investments, and the State participates in the next \$4.0 million. The article expands State participation in the marketing program.

Current		Proposed	
Twin River First	\$6.0	Twin River First	\$6.0
Shared (61.05% State)	4.0	Shared (61.05% State)	4.0
	10.0		10.0
		Next \$7.0 million	
		Twin River First	4.0
		Shared (61.05% State)	3.0
			7.0
Total Potential Investment		Total Potential Investment	
Twin River	7.6	Twin River	12.7
State	2.4	State	4.3
	\$10.0		\$17.0

\$ in millions

The Budget accounts for \$1.1 million in reduced revenues based on the change. This amounts to approximately one-half of the State cost. Full cost is not accounted for because the premise of increased marketing is to increase State and facility revenues.

Anti-Zapper Legislation

\$770,000

An automated sales suppression device, also known as a “zapper,” is software that falsifies transaction data, transaction reports, or any other electronic records of sales. The software is intended to understate sales data for tax reporting purposes. Article 12 of the Budget makes the use or sale of this technology illegal. Any use, sale or possession of this software is considered a felony and the violator may be charged a fine up to \$50,000, though the Budget does not incorporate these fines as part of the increase in revenue. The Budget increases general revenues by \$770,000 from increased sales and use tax collections.

Block on “New” Vehicle Registrations

\$488,000

Under Article 12, the Division of Motor Vehicles (DMV) will not register any motor vehicle or transfer the registration of any motor vehicle for any person whose name appears on a list of taxpayers with outstanding tax balances until all state taxes, fines and penalties are paid in full or the taxpayer has entered into a payment plan. Under current law, the DMV is only prohibited from renewing a registration. The article requires the Tax Administrator to provide the DMV with information for taxpayers who have neglected or refused to file a tax return or pay taxes owed to the Division of Taxation. Upon payment of taxes owed, the Division of Taxation will issue a certificate of good standing within 5 business days and upon receipt of that certificate, the DMV will issue the registration. The Budget increases revenues by \$488,000, including \$268,400 in personal income taxes and \$219,600 in fines and penalties.

Nursing Home Rate Freeze

(\$439,368)

The Budget decreases revenues from the nursing facility provider assessment by \$439,368 due to a savings initiative that freezes nursing home rates at their current level. Since the assessment is levied upon nursing home receipts, lower than anticipated receipts will result in a reduction in assessment revenue. The total reduction results from suspending the nursing home Cost of Living Adjustment (COLA) effective October 1, 2014 (\$411,851); and an initiative to review long-term care financial eligibility of individuals receiving long-term care (\$27,517).

Parking Garage Rate Increase (DOA)

\$200,802

This item reflects an increase in the parking rates charged to state employees using the state-owned parking garage underneath the Department of Administration. Currently, state employees are charged \$16 per pay period and the State receives on average \$8,400 per pay period. This proposal doubles the parking rate to \$32 per pay period and is projected to yield additional general revenues of \$200,802.

Housing Resources Commission (restricted receipts)

\$2.8 million

The Housing Resources Commission Restricted Account is created, which exempts revenue raised from with the real estate conveyance tax from the 10.0 percent indirect cost recovery provision. These funds, estimated to be \$2.8 million in FY2015, will be dedicated to the Housing Resources Commission and the housing rental subsidy program.

FY2014 SUPPLEMENTAL CHANGES

May Revenue Conference

(\$10.6 million)

The May 2014 Revenue Estimating Conference decreased net available general revenues for FY2014 by \$10.6 million. Major decreases occurred in the personal income tax (\$17.5 million), business corporations tax (\$18.9 million), and lottery (\$13.5 million). Public Service Corporations tax was the only category to experience a major increase (\$12.1 million). The Budget recognizes the revenue changes for FY2014.

Hospital Licensing Fee***\$4.6 million***

The Budget increases the hospital license fee to 5.418 percent, raising licensing fee revenue by \$4.6 million to \$149.5 million.

Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments, which are made to hospitals that deliver care to a large number of uninsured and Medicaid individuals. The Governor's recommended budget included a 5.246 percent hospital licensing fee and DSH payments to hospitals of \$129.2 million. The Assembly's Budget includes a 5.418 percent licensing fee and DSH payments to hospitals of \$138.3 million, based upon an updated federal DSH cap.

Bond Premium Proceeds to MRBRF***(\$3.3 million)***

The Budget includes an additional \$3.3 million in FY2014 from bond premium proceeds derived from the sale of general obligation bonds for funding of the Municipal Road and Bridge Revolving Fund. These funds will be available for municipalities to borrow from for road and bridge projects. These funds, and future contributions to the fund combined with the repayments to the fund will further allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Clean Water Finance Agency.

Loans are awarded based on criteria developed by RIDOT to evaluate infrastructure plans and rank eligible projects, including the extent to which the project generates economic benefits, the likelihood that the project would increase safety, and the project's readiness to proceed within the forthcoming calendar year.

American College of Obstetricians and Gynecologists Grant***\$29,465***

Based upon revised grant awards, \$29,465 in additional general revenues are available for FY2014 as a departmental receipt to improve influenza and other vaccination coverage to pregnant women. These funds were erroneously omitted during the May 2014 Revenue Estimating Conference.

Corporate Tax Reform

The 2014 General Assembly enacted several reforms to the business corporations tax in the FY2015 Budget. The Budget introduces combined reporting, requiring all C-corporations to report income made by the parent company and all subsidiaries as one business. The separate tax on S- corporations, known as the franchise tax, is eliminated in favor of one minimum corporate tax for all business entities. The Budget also reduced the corporate tax rate from 9.0 percent to 7.0 percent effective January 1, 2015.

The table below demonstrates the impact of the corporate tax reforms for C corporation filers.

Fiscal Year	May 2014 REC Estimated Revenues	Impact of CR, with SSF Apportionment at 9.0% Rate	Impact of CR, with SSF Apportionment at 7.0% Rate	Total Revenue w CR, SSF Apportionment, and 7.0% Rate	Eliminate Franchise Tax	Total Net Impact of Corporate Tax Reforms
2015	\$115,400,000	\$36,431,290	(\$30,874,816)	\$118,332,858	(\$232,858)	\$2,700,000
2016	127,988,697	41,326,880	(35,023,733)	133,131,685	(232,858)	4,910,130
2017	138,790,688	45,457,642	(38,524,474)	144,580,942	(232,858)	5,557,396
2018	147,634,287	48,750,850	(41,315,405)	153,947,426	(232,858)	6,080,281
2019	157,305,049	52,377,963	(44,389,313)	164,124,176	(232,858)	6,586,269

The decrease in the corporate tax rate places Rhode Island roughly in the middle of the pack nationally, and the State now has lowest top rate in New England.

	Top Rate	Applies to Taxable Income Above:	Minimum Tax
Maine	8.93%	\$250,000	\$-
New Hampshire	8.50%	Flat Rate	-
Vermont	8.50%	25,000	250
Massachusetts	8.00%	Flat Rate	456
Connecticut	7.50%	Flat Rate	250
Rhode Island	7.00%	Flat Rate	500

Combined Reporting

Combined reporting captures the income of Rhode Island corporations and any affiliated companies under common ownership, and treats the group as if they were one business. Companies are now required to report all income made by all subsidiaries, regardless of the state in which it was earned, and then remit state corporate income taxes on the basis of the entity's economic activity in the state as determined by an apportionment formula (the amount of business activity transacted within the state as compared to total business activity). Businesses that are organized as C corporations with out-of-state affiliates are subject to combined reporting beginning with tax years beginning on or after January 1, 2015.

In order to determine what constitutes a combined group for the purposes of Rhode Island's combined reporting, the Division of Taxation established regulation CT 12-15. A combined group is defined as "a group of two or more corporations in which more than 50.0 percent of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations, and that are engaged in a unitary business." The regulation also defines a unitary business as "the activities of a group of two (2) or more corporations under common ownership that are sufficiently interdependent, integrated or interrelated through their activities so as to provide mutual benefit and produce a significant sharing or exchange of value among them or a significant flow of value between the separate parts."

Subject to two tests set forth in the regulation, if a corporation meets the criteria to be a unitary business, the corporation is required to file a combined report. For example, the C corporation XYZ Corp operates

brick and mortar retail stores in Rhode Island that are required to report corporate tax liability to the State. Prior to the new reforms, only these stores were required to report the tax liability to the State. Under the new provisions, XYZ Corp must include liability incurred by the entire corporate entity for all business conducted within the State, which will now include sales within the State from XYZCorp.com.

According to the Division of Taxation, 23 states and the District of Columbia require combined reporting of corporate income. All New England states with the exception of Rhode Island and Connecticut require combined reporting. While the implementation of combined reporting is expected to increase corporate tax revenue by \$36.4 million, the corporate tax rate reduction from 9.0 percent to 7.0 percent decreases new revenues by \$30.9 million, leaving a net increase of \$5.6 million for the changes.

Single Sales Factor Apportionment

The combined reporting change shifts from a three-factor apportionment formula to a single-sales factor apportionment formula for all C corporations. This calculates a corporation's tax based on its sales in Rhode Island versus its total corporate and affiliate sales, and disregards property and payroll factors.

Three-Factor Apportionment Formula				
	Rhode Island	State B	Total	Factor
Sales	\$2,000,000	\$2,000,000	\$4,000,000	\$2,000,000/\$4,000,000= 50%
Payroll	1,500,000	200,000	1,700,000	\$1,500,000/\$1,700,000= 88%
Property	2,500,000	200,000	2,700,000	\$2,500,000/\$2,700,000= 93%
				Sum of Apportionment Factors = 231%
				Sum of Apportionment Factors/3 = 77%
Single Sales Factor Apportionment Formula				
	Rhode Island	State B	Total	Factor
Sales	\$2,000,000	\$2,000,000	\$4,000,000	\$2,000,000/\$4,000,000= 50%
Payroll	1,500,000	200,000	1,700,000	
Property	2,500,000	200,000	2,700,000	
				Apportionment Factor = 50%

Source: Combined Reporting Study, Division of Taxation

The Corporation then uses this apportionment factor along with the State's corporate tax rate to calculate tax owed to the State. For example, the corporation described above has \$3.0 million of income subject to the Rhode Island tax resulting in a tax liability of \$105,000.

Sample Single Sales Factor Tax Calculation	
Federal Taxable Income	\$3,000,000
Total Modifications	-
Adjustable Taxable Income	3,000,000
Rhode Island Apportionment Ratio	50.0%
Rhode Island Taxable Income	1,500,000
Tax Rate	7.0%
Total Tax Due	\$105,000

Sales Factor Apportionment Methods

States use one of two primary methods to calculate a company's apportionment under a single sales apportionment formula: the Joyce or Finnigan methods. They differ in their treatment of the concept called "nexus," which relates to the corporation's presence in a state (for tax purposes). Generally speaking, the Joyce method excludes entities that do not have nexus in Rhode Island. The Finnigan method captures income from all sales of the unitary group that are attributable to Rhode Island. 11 states, now including Rhode Island, require the Finnigan method be used to calculate apportioned income.

Joyce vs. Finnigan Method						
Name of Entity	Joyce			Finnigan		
	RI Receipts	Total Receipts	Nexus with RI	RI Receipts	Total Receipts	Nexus with RI
Hotel Corp.	50	100	Yes	50	100	Yes
India Corp.	100	200	Yes	100	200	Yes
Juliet Corp.	100	200	No	100	200	No
Factor Total:	*150	500		**250	500	

*The Joyce method includes all apportionment factor attributes that were derived from entities that have nexus in Rhode Island.

**Finnigan apportionment includes the same numerator factor attributes as Joyce, plus all Rhode Island factor attributes from entities that do not have nexus in Rhode Island.

Source: Combined Reporting Study, Division of Taxation

Market Based Sourcing

Filers are required to use market based sourcing for purposes of determining the allocation fraction under combined reporting. This means that receipts from transactions are sourced to the state where the customer receives the benefit. More specifically, a company's net income is apportioned to the State based on total receipts from sales or other sources during the taxable year attributable to the taxpayer's activities or transactions within the State. This method taxes sales of services and intangible property attributed to the state based on the location of the market for the service provided; for example, tangible products are sourced to where they are shipped and services are sourced to where they are delivered. Market based sourcing does not require a C corporation to have physical "nexus," or presence, within the State.

Water's Edge and Tax Havens

When computing what portion of a company's activity should be counted, states may elect to tax worldwide activity, or limit taxation to activities that occur within the United States (water's edge). The General Assembly enacted legislation adopting the water's edge designation. A pro forma study by the Division of Taxation from 2011 through 2013 required water's edge reporting.

The Budget also defines a "tax haven" as it relates to the water's edge provision, effectively requiring corporations to include in their unitary groups subsidiaries formed in readily identifiable foreign tax havens. Under the tax haven definition, tax regimes and jurisdictions that have laws or practices that prevent effective exchange of information for tax purposes with other governments on taxpayers benefitting from the tax regime are prohibited. The Tax Administrator, however, has the authority to determine whether the expenses or apportionment factors of a combined group member, Non-U.S. Corporation, organized in a tax haven that has a federal income treaty with the U.S., are to be included. Income subject to a federal income tax treaty will not be included in the combined report if transactions conducted between the U.S. are not done with the principal purpose of avoiding payment of taxes due or if the member establishes that the inclusion of such net income in the combined group net income is unreasonable.

Jobs Development Act & I-195 Rates

As part of the corporate tax reform, two tax incentive programs, the Jobs Development Act (RIGL 42-64.5) and the I-195 Redevelopment Act (RIGL 42-64.14), could be impacted by the reduction in the corporate tax rate from 9.0 percent to 7.0 percent. Tax rate reductions authorized under these chapters are allowed against the net income of the entire group.

Any company eligible for these incentive programs and required to file and pay taxes under Rhode Island business corporations tax statutes (RIGL 44-11) will determine the rate reduction by multiplying the aggregate amount of new employment of the eligible company and its eligible subsidiaries for each

taxable year by 0.20 percent. The amount of each rate reduction shall in no event be greater than 4.0 percentage points for tax years beginning on or after January 1, 2015.

Elimination of Franchise Tax

Prior to the corporate tax reform, the State had a franchise tax on S-corporations, similar to the \$500 annual minimum corporate tax. The FY2015 Budget eliminated the franchise tax effective July 1, 2015, instead requiring S-corporations to pay the minimum corporate tax under 44-11-2(e). Taxpayers must pay the higher of the corporate tax or minimum tax liability, but not both. Eliminating the franchise tax is estimated to reduce revenues by \$232,858.

Reporting Requirements

Based upon actual tax filings of companies under this Act for a two year period, the Tax Administrator is directed to report on the impact of the reforms under this Article to the Chairs and Advisors of the House and Senate Finance Committees or before March 18, 2018. The report shall include an analysis of policy and fiscal ramifications of the changes enacted to the business corporation statutes under the Act, and include but not limited to the impact upon categories of and types of businesses.

Estate Tax Modification

The 2014 General Assembly modified the estate tax by removing the exemption threshold and adding a credit to offset any estate tax owed on assets valued at under \$1.5 million. Effective for deaths occurring on or after January 1, 2015, all estates are subject to tax beginning at the first \$1; however, estates are granted a non-refundable credit valued at \$64,400. Estates in excess of \$1.5 million will owe tax, but because of the credit, tax is not owed on the first \$1.5 million in estate value. Under RIGL 44-22-1.1, the credit amount will be adjusted annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U).

Previously, estates valued at greater than \$921,655 were subject to the Rhode Island estate tax. Estates valued at less than that amount were not subject to tax, but for those in excess, tax was owed on the entire value of the estate. This so-called “cliff” meant that estates valued at just over the exemption threshold were taxed on the full value of the estate and could owe a significant amount in taxes for a low marginal increase over the threshold.

Estate taxes are often cited as a reason people leave the State. When that happens, Rhode Island does not just lose out on the estate tax, but also personal income, sales, and property taxes that would have otherwise been paid if the owner of the estate continued to live here. Last year (August 2013), Kiplinger.com ranked Rhode Island as one of the top-ten least tax-friendly states for retirees, partially due to the high estate tax. Rhode Island’s maximum estate tax rate of 16.0 percent was the second highest among the 15 states and D.C. that have an estate tax. The recent change brings Rhode Island’s threshold above Massachusetts and to the middle amount of estate tax thresholds nationally.

Regional Estate Tax Comparison

State	Exemption	Rate (Min. to Max.)
Vermont	\$2,750,000	0.8% - 16.0%
Maine	2,000,000	8.0% - 12.0%
Connecticut	2,000,000	7.2% - 12.0%
Rhode Island	1,500,000	0.8% - 16.0%
Massachusetts	1,000,000	0.8% - 16.0%
New Hampshire	No Estate Tax	

The Budget recognizes \$9.4 million in reduced estate tax revenues in FY2015, based on the change taking effect for estates where the death of the taxpayer occurs on or after January 1, 2015. This impact essentially doubles in FY2016 and beyond. The table below demonstrates the impact on various estates using the Rhode Island Estate Tax Schedules and Computation Form 100A.

Estate Tax Owed

Estate Value	Prior Law	Current Law
\$500,000	\$0	\$0
921,655	0	0
1,000,000	30,555	0
1,500,000	64,400	0
2,000,000	99,600	35,200

Education Aid

The FY2015 Budget adds \$29.6 million to fully fund the fourth year of the education funding formula, and \$4.9 million for the categorical aid areas created through the Education Adequacy Act. The Budget also restores funding for the textbook reimbursement (\$240,000) and the administrative costs of the school breakfast program (\$270,000) that were eliminated by the Governor.

EDUCATION AID

Education Aid Funding Formula

Total formula aid increases by \$29.6 million over the FY2014 enacted level to adjust the fourth year formula calculation based on March 2014 data for student enrollment, free and reduced price lunch participation, and charter school growth. The updates also include a recalculation of full-day kindergarten funding based on the districts scheduled to implement full-day programs in FY2015.

Full-Day Kindergarten Projected Aid: The Budget increase includes \$986,918 in formula aid for districts expected to convert to full-day kindergarten in FY2015. The Kindergarten Accessibility Act requires that beginning in school year 2014-2015 districts converting from a half-day to a full-day program are credited on a full-time basis in the resident average daily membership (RADM) for the funding formula in the first year of enrollment. The aid will be distributed only to districts that convert from a half-day to a full-day program pursuant to the requirements and limitations RIGL 16-99- 4, and have been updated to reflect the new March enrollment data and FY2015 share ratios; however, the aid will only be distributed to districts upon conversion. The full-day kindergarten aid provided via the funding formula is subject to the transition plan; however, 2014-S-2791 Sub A provides that districts that convert to full-day kindergarten in FY2015 and after will not be subject to the transition plan beginning in FY2017.

Charter Schools: The FY2015 Budget includes \$59.2 million for public charter schools, an increase of \$4.0 million from the FY2014 Budget as Enacted. The Budget includes the following charter school growth:

- Achievement First, which is located in Providence, currently enrolls 176 students from Cranston, North Providence, Providence and Warwick, will add a second grade (88 students).
- Highlander, which is located in Providence and enrolls 352 students, will add a tenth grade (40 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,020 students, will add a third and ninth grade (137 new students).
- Trinity Academy for the Performing Arts, which is located in Providence and currently enrolls 136 students, will add an eleventh grade (34 new students).
- Village Green, a virtual charter high school located in Providence currently enrolls 136 from around the state, will add an eleventh grade (28 new students).

Included in the increase is \$624,891 in funding for new charter schools scheduled to open in FY2015.

- Hope Academy, a mayoral academy that will be located in Providence and enroll students from North Providence and Providence, will have kindergarten through eighth grades, starting with 72 students in kindergarten and first grade and adding grades until reaching a maximum enrollment of 324 students.
- Southside Elementary, which will be located in and enroll students from Providence, will have kindergarten through fifth grades, starting with 24 students and adding grades until reaching a maximum enrollment of 144.

The local share of funding to charter and state schools is the local per-pupil cost, calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM. Since the districts did not pay tuition for state schools prior to the formula, sending districts will pay a different tuition for charter schools than for state schools over the five-year phase-in period. In FY2015, local school districts are estimated to pay \$31.6 million in tuition to a total of 22 charter schools (see the following table) and \$7.2 million in state school tuition.

LEA	FY2014 (Year 3)			FY2015 (Year 4)			Change from FY2014	
	Projected Enrollment	Per Pupil		Enrollment ³	Per Pupil		Per Pupil	
		Tuition	Total Tuition		Tuition ⁴	Total Tuition	Tuition	Total Tuition
Barrington	3	\$10,410	\$31,230	3	\$11,500	\$34,500	\$1,090	\$3,270
Burrillville	17	5,151	87,567	19	5,725	108,775	574	21,208
Charlestown	93	10,647	990,171	79	10,698	845,142	51	(145,029)
Coventry	71	7,001	497,071	47	7,802	366,694	801	(130,377)
Cranston	208	7,399	1,538,992	197	8,065	1,588,805	666	49,813
Cumberland	344	6,555	2,254,920	367	6,888	2,527,896	333	272,976
East Greenwich	6	11,476	68,856	6	12,387	74,322	911	5,466
East Providence	53	6,956	368,668	51	7,777	396,627	821	27,959
Foster	1	11,502	11,502	-	-	-	(11,502)	(11,502)
Glocester	-	-	-	-	-	-	-	-
Hopkinton	4	10,647	42,588	6	10,698	64,188	51	42,588
Jamestown	4	14,261	57,044	4	15,621	62,484	1,360	5,440
Johnston	41	10,349	424,309	42	11,138	467,796	789	43,487
Lincoln	144	10,223	1,472,112	168	10,913	1,833,384	690	361,272
Little Compton	-	-	-	-	-	-	-	-
Middletown	1	9,315	9,315	2	9,483	18,966	168	9,651
Narragansett	25	14,491	362,275	21	15,489	325,269	998	(37,006)
Newport	-	-	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-	-	-
North Kingstown	80	9,766	781,280	103	10,417	1,072,951	651	291,671
North Providence	37	8,113	300,181	37	8,462	313,094	349	12,913
North Smithfield	20	7,792	155,840	18	8,869	159,642	1,077	3,802
Pawtucket	794	2,654	2,107,276	836	2,727	2,279,772	73	172,496
Portsmouth	-	-	-	-	-	-	-	-
Providence	2,700	3,871	10,451,700	3,043	4,242	12,908,406	371	2,456,706
Richmond	8	10,647	85,176	3	10,698	32,094	51	(53,082)
Scituate	12	9,416	112,992	8	10,336	82,688	920	(30,304)
Smithfield	7	10,205	71,435	7	10,868	76,076	663	4,641
South Kingstown	107	12,228	1,308,396	84	12,863	1,080,492	635	(227,904)
Tiverton	-	-	-	1	11,332	11,332	11,332	11,332
Warwick	64	10,754	688,256	63	11,702	737,226	948	48,970
Westerly	40	12,745	509,800	41	13,214	541,774	469	31,974
West Warwick	20	6,913	138,260	26	7,723	200,798	810	62,538
Woonsocket	91	1,995	181,545	117	2,500	292,500	505	110,955
Bristol-Warren	3	9,449	28,347	4	9,541	38,164	92	9,817
Exeter-West Greenwich	35	11,334	396,690	30	12,155	364,650	821	(32,040)
Chariho	-	-	-	-	-	-	-	-
Foster-Glocester	3	8,432	25,296	7	10,052	70,364	1,620	45,068
Central Falls ²	1,061	2,135	2,265,235	1,097	2,387	2,618,539	252	353,304
Total	6,097		\$27,824,325	6,537		\$31,595,410		\$3,792,073

¹ Assumes 5-year phase in. Calculated using local property tax contribution per total district RADM (includes charter and state school students).

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions, debt, and other 2011 Uniform Chart of Accounts data.

³ Based on March 2014 enrollment data from RIDE.

⁴ As posted on RIDE's website as of May 7, 2014.

Source: Rhode Island Department of Education

LEA	Estimated Local Tuition Payments to State Schools ¹						Change from FY2014	
	FY2014 (Year 3)			FY2015 (Year 4)			Per Pupil	Total
	FY2014 Projected	Per Pupil Tuition	Total Tuition	FY2015 Projected	Per Pupil Tuition	Total Tuition	Tuition	Tuition
Barrington	3	\$7,182	\$21,546	4	\$9,886	\$39,544	\$2,704	\$17,998
Burrillville	8	3,596	28,768	2	4,947	9,894	1,351	(18,874)
Charlestown	6	6,744	40,464	3	8,747	26,241	2,003	(14,223)
Coventry	4	5,004	20,016	5	6,803	34,015	1,799	13,999
Cranston	27	5,170	139,590	25	6,951	173,775	1,781	34,185
Cumberland	17	4,465	75,905	18	5,843	105,174	1,378	29,269
East Greenwich	3	7,730	23,190	1	10,514	10,514	2,784	(12,676)
East Providence	26	4,917	127,842	41	6,757	277,037	1,840	149,195
Foster	-	-	-	-	-	-	-	-
Glocester	-	-	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-	-	-
Jamestown	6	9,745	58,470	11	13,363	146,993	3,618	88,523
Johnston	18	7,201	129,618	7	9,564	66,948	2,363	(62,670)
Lincoln	53	6,965	369,145	45	9,283	417,735	2,318	48,590
Little Compton	2	8,833	17,666	1	12,071	12,071	3,238	(5,595)
Middletown	23	5,543	127,489	21	7,597	159,537	2,054	32,048
Narragansett	3	9,745	29,235	4	13,116	52,464	3,371	23,229
Newport	42	6,585	276,570	38	8,651	328,738	2,066	52,168
New Shoreham	-	-	-	-	-	-	-	-
North Kingstown	8	6,342	50,736	10	8,705	87,050	2,363	36,314
North Providence	90	5,436	489,240	70	7,124	498,680	1,688	9,440
North Smithfield	1	5,546	5,546	1	7,745	7,745	2,199	2,199
Pawtucket	535	1,702	910,570	555	2,252	1,249,860	550	339,290
Portsmouth	13	6,674	86,762	9	9,472	85,248	2,798	(1,514)
Providence	524	2,903	1,521,172	487	3,758	1,830,146	855	308,974
Richmond	2	6,744	13,488	3	8,747	26,241	2,003	12,753
Scituate	2	6,255	12,510	4	8,756	35,024	2,501	22,514
Smithfield	17	6,802	115,634	15	9,167	137,505	2,365	21,871
South Kingstown	14	7,961	111,454	22	10,730	236,060	2,769	124,606
Tiverton	17	6,904	117,368	14	9,447	132,258	2,543	14,890
Warwick	17	7,311	124,287	21	9,981	209,601	2,670	85,314
Westerly	-	-	-	1	11,056	11,056	11,056	11,056
West Warwick	9	4,902	44,118	3	6,718	20,154	1,816	(23,964)
Woonsocket	41	1,306	53,546	49	2,156	105,644	850	52,098
Bristol-Warren	28	5,380	150,640	20	7,507	150,140	2,127	(500)
Exeter-West Greenwich	2	7,436	14,872	2	10,206	20,412	2,770	5,540
Chariho	-	-	-	-	-	-	-	-
Foster-Glocester	-	-	-	-	-	-	-	-
Central Falls ²	189	1,833	346,437	201	2,235	449,235	402	102,798
Total	1,750		\$5,653,894	1,713		\$7,152,739		\$1,498,845

¹ Assumes 5-year phase in. Calculated using FY2012 local property tax contribution per total district RADM (includes charter and state school students).

² Central Falls calculation uses the local share of the core expenditures plus non-core expenditures, including operations, transportation, tuitions, debt, and other 2012 Uniform Chart of Accounts data.

Source: Rhode Island Department of Education

Categorical Funds

The Education Adequacy Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Budget provides funding for all the categoricals except the Regional Bonus since no new regional districts have been formed and the three years of funding for existing regional districts has ended.

Categorical	FY2015 Categorical Aid	
	Change from Enacted	Total Funding
Transportation	\$1.1	\$4.4
High-Cost Special Education	0.5	1.5
Career & Tech. Schools	0.5	3.5
Early Childhood	1.0	3.0
Central Falls Stabilization	1.8	1.8
Regionalization Bonus	-	-
Total	\$4.9	\$14.1

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

Transportation: The Act provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The budget funds this category at \$4.4 million in FY2015, an increase of \$1.1 million over the FY2014 Budget as Enacted.

High-Cost Special Education: The Act includes a program for high-cost special education students. The program requires the state to reimburse the district costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (currently \$62,760 for FY2015). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$1.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.

Career and Technical Education: The Act provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. While the distribution method for this category is evolving, the program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$3.5 million in FY2015, an increase of \$500,000 over the FY2014 Budget as Enacted.

Early Childhood Education: The Act includes a program for early childhood education programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$3.0 million in FY2015, an increase of \$1.0 million over the FY2014 Budget as Enacted.

Central Falls Stabilization: Central Falls is currently 100.0 percent state funded, but the formula assumes that the district will increase its local school support. To ease the transition, this program provides additional aid to Central Falls to partially offset this increased obligation. The statute requires the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, be shared between the State and Central Falls. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds; however, the portion of each share was not defined. The 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow that the State's share may be provided through a reallocation of current appropriations to the Central Falls school district. The Budget provides \$1.8 million for Central Falls stabilization in FY2015. This represents the first of year of funding for this category.

Regionalization Bonus: The Act includes a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget does not provide funding in FY2015, since this is the fourth year of funding for the regionalized districts, and no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Group Homes

The Act maintains the current funding for group homes as a categorical grant program, and provides \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which receive \$22,000 per bed. The FY2015 Budget includes \$6.1 million to fund group home beds. This is \$1.0 million less than the FY2014 Budget as Enacted, and represents a decrease of 19 beds (4.1 percent) system wide. This reduction also includes a decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. The Department believes this adjustment is best shown in the group home aid category where it will be easier to identify, rather than in the formula calculator. This is a new adjustment although there has not been any change to current law.

LEA	FY2014 Enacted	FY2014 Revised	FY2015 Aid based on bed count	Change from Enacted			Total Change	FY2015 Total Aid
				Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		
Burrillville	\$330,000	\$330,000	\$300,000	(2)	(\$30,000)	(\$33,639)	(\$63,639)	\$266,361
Coventry	120,000	120,000	120,000	-	-	(12,117)	(12,117)	107,883
Cranston	60,000	60,000	60,000	-	-	(6,818)	(6,818)	53,182
East Providence	636,000	636,000	636,000	-	-	(60,725)	(60,725)	575,275
Johnston	120,000	120,000	-	(8)	(120,000)	-	(120,000)	-
Lincoln	135,000	135,000	135,000	-	-	(11,174)	(11,174)	123,826
Middletown	420,000	420,000	390,000	(2)	(30,000)	(15,344)	(45,344)	374,656
Newport	270,000	270,000	270,000	-	-	(15,086)	(15,086)	254,914
North Providence	240,000	240,000	240,000	-	-	(28,181)	(28,181)	211,819
North Smithfield	120,000	120,000	120,000	-	-	(9,022)	(9,022)	110,978
Pawtucket	735,000	735,000	735,000	-	-	(128,146)	(128,146)	606,854
Portsmouth	555,000	555,000	555,000	-	-	(7,524)	(7,524)	547,476
Providence	2,055,000	2,055,000	1,890,000	(11)	(165,000)	(348,093)	(513,093)	1,541,907
Smithfield	240,000	240,000	240,000	-	-	(6,247)	(6,247)	233,753
South Kingstown	315,000	315,000	315,000	-	-	(6,966)	(6,966)	308,034
Warwick	330,000	330,000	330,000	-	-	(28,530)	(28,530)	301,470
Woonsocket	120,000	120,000	120,000	-	-	(21,130)	(21,130)	98,870
Bristol-Warren	120,000	120,000	120,000	-	-	(5,267)	(5,267)	114,733
Exeter-West Greenwich ¹	210,000	270,000	270,000	4	60,000	(8,758)	51,242	261,242
Total	\$7,131,000	\$7,191,000	\$6,846,000	(19)	(\$285,000)	(\$752,767)	(\$1,037,767)	\$6,093,233

¹ The 4 bed increase was reported in the December 31, 2013, DCYF Group Home Report; and consequently, the \$60,000 increase in Group Home Aid will be applied to the FY2014 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

The table on the following page shows the education aid including the formula distribution, full-day kindergarten projected aid, categorical aid, and group home aid.

FY2015 Education Aid - Change to FY2014 Budget as Enacted¹

Districts	FY2014	FY2015	Full-Day	Transportation	High-cost	Group Home	Group	FY2015	FY2015
	Enacted							Education Aid	
	(includes	(Year 4)	Kindergarten	(change from	Special	(change due	Home	Change from	
	group home	formula	Projected	FY2014)	Education	to bed	(change	Enacted	FY2015
	and		Formula Aid ²		(change from	count) ³	to bed	(including	Education Aid
	categorical)	Change			FY2014)	22(1)(ii) ³	due to bed	categorical)	Education Aid
Barrington	\$3,971,797	\$607,478	\$79,256	\$18,435	\$24,454	\$0	\$0	\$729,622	\$4,701,419
Burrillville	13,063,243	169,195	-	6,803	(1,991)	(33,639)	(30,000)	110,368	13,173,611
Charlestown	1,706,995	1,671	-	-	-	-	-	1,671	1,708,666
Coventry	20,348,442	695,680	-	5,635	2,184	(12,117)	-	691,383	21,039,824
Cranston	43,347,609	3,527,180	-	70,879	101,529	(6,818)	-	3,692,770	47,040,378
Cumberland	14,705,457	993,296	-	22,139	35,545	-	-	1,050,980	15,756,437
East Greenwich	2,323,568	127,674	-	6,714	11,598	-	-	145,986	2,469,554
East Providence	28,082,665	1,261,908	-	3,580	85,572	(60,725)	-	1,290,335	29,373,000
Foster	1,204,783	(10,583)	-	749	(1,757)	-	-	(11,591)	1,193,191
Glocester	2,705,444	(91,722)	24,716	3,057	(1,011)	-	-	(64,960)	2,640,484
Hopkinton	5,515,535	60,813	-	-	-	-	-	60,813	5,576,348
James town	361,936	40,235	-	-	4,662	-	-	44,897	406,833
Johnston	11,997,593	1,267,114	-	43,933	4,170	-	(120,000)	1,195,217	13,192,810
Lincoln	8,990,606	841,720	-	(1,178)	35,888	(11,174)	-	865,256	9,855,863
Little Compton	365,270	36,658	-	-	-	-	-	36,658	401,928
Middletown	9,109,276	(162,416)	-	-	3,792	(15,344)	(30,000)	(203,968)	8,905,309
Narragansett	1,805,079	187,506	-	-	1,334	-	-	188,840	1,993,919
Newport	10,656,332	(3,022)	-	-	(15,022)	(15,086)	-	(33,130)	10,623,201
New Shoreham	81,762	6,942	-	-	2,399	-	-	9,341	91,103
North Kingstown	10,796,604	(77,454)	-	-	6,318	-	-	(71,136)	10,725,467
North Providence	15,094,386	1,460,616	-	28,895	52,144	(28,181)	-	1,513,474	16,607,860
North Smithfield	5,400,054	197,314	-	(1,993)	1,492	(9,022)	-	187,790	5,587,844
Pawtucket	71,459,692	3,383,875	-	86,439	41,076	(128,146)	-	3,383,245	74,842,936
Portsmouth	5,128,661	(266,472)	-	-	27,761	(7,524)	-	(246,235)	4,882,426
Providence	206,273,348	9,350,289	-	40,012	(27,918)	(348,093)	(165,000)	8,849,290	215,122,638
Richmond	5,335,436	(129,999)	-	-	-	-	-	(129,999)	5,205,437
Scituate	3,720,471	197,606	30,456	10,966	937	-	-	239,965	3,960,436
Smithfield	4,985,793	56,397	58,471	9,678	11,120	(6,247)	-	129,419	5,115,212
South Kingstown	8,154,487	(251,517)	-	62,562	18,591	(6,966)	-	(177,330)	7,977,156
Tiverton	5,775,390	31,660	-	-	21,116	-	-	52,776	5,828,166
Warwick	35,164,250	895,596	-	7,525	25,937	(28,530)	-	900,528	36,064,778
Westerly	7,164,219	497,128	-	-	42,847	-	-	539,975	7,704,193
West Warwick	20,309,057	708,006	-	18,126	(7,585)	-	-	718,547	21,027,604
Woonsocket	48,170,444	1,822,597	773,514	6,611	(61,759)	(21,130)	-	2,519,833	50,690,277
Bristol-Warren	17,089,869	(509,442)	-	154,650	20,134	(5,267)	-	(339,926)	16,749,944
Exeter-West Greenwich	6,579,220	(236,007)	20,505	209,791	12,878	(8,758)	60,000	58,408	6,637,628
Chariho	1,127,409	(38,320)	-	210,979	16,377	-	-	189,035	1,316,444
Foster-Glocester	5,213,357	(54,480)	-	43,906	1,678	-	-	(8,896)	5,204,461
Central Falls	38,451,859	(1,176,704)	-	18,950	3,203	-	-	(1,154,551)	37,297,308
District Total	\$701,737,394	\$25,418,018	\$986,918	\$1,087,840	\$499,695	(\$752,767)	(\$285,000)	\$26,954,700	\$728,692,095
Charter School Total	55,148,059	4,018,618	-	-	305	-	-	4,018,923	59,166,982
Davies	12,792,048	(551,874)	-	-	-	-	-	(551,874)	12,240,174
Met School	11,085,049	(583,689)	-	-	-	-	-	(583,689)	10,501,360
Urban Collaborative	296,703	277,810	-	-	-	-	-	277,810	574,513
Total	\$781,059,253	\$28,578,883	\$986,918	\$1,087,840	\$500,000	(\$752,767)	(\$285,000)	\$30,115,870	\$811,175,124

¹ Based on March 2014 enrollment data.² Estimate assumes communities implement full-day kindergarten program in FY2015.³ Updated by RIDE on 1.28.2014 to reflect DCYF Group Home Report dated 12.31.2014 including reclassification of Groden Center.

Source: Rhode Island Department of Education

FY2015 Education Aid¹

Districts	FY2014 Enacted (excludes group home and categorical)	FY2015 (Year 4) formula Change	Full-Day Kindergarten Projected Formula Aid ²	Transportation	High-cost Special Education	Group Home (due to RIGL 16-7- 22(1)(ii)) ³	Group Home (due to bed count) ³	FY2015 Aid
Barrington	\$3,918,965	\$607,478	\$79,256	\$54,080	\$41,640	\$0	\$0	\$4,701,418
Burrillville	12,712,387	169,195	-	15,863	9,805	(33,639)	300,000	13,173,610
Charlestown	1,706,995	1,671	-	-	-	-	-	1,708,666
Coventry	20,180,158	695,680	-	20,271	35,832	(12,117)	120,000	21,039,825
Cranston	42,922,101	3,527,180	-	392,751	145,164	(6,818)	60,000	47,040,378
Cumberland	14,621,350	993,296	-	92,043	49,748	-	-	15,756,437
East Greenwich	2,266,168	127,674	-	32,442	43,270	-	-	2,469,554
East Providence	27,403,793	1,261,908	-	10,055	121,969	(60,725)	636,000	29,373,000
Foster	1,189,070	(10,583)	-	8,261	6,445	-	-	1,193,192
Glocester	2,683,922	(91,722)	24,716	13,591	9,975	-	-	2,640,483
Hopkinton	5,515,535	60,813	-	-	-	-	-	5,576,348
Jamestown	359,449	40,235	-	-	7,150	-	-	406,834
Johnston	11,636,085	1,267,114	-	262,535	27,076	-	-	13,192,809
Lincoln	8,822,047	841,720	-	6,395	61,873	(11,174)	135,000	9,855,862
Little Compton	365,270	36,658	-	-	-	-	-	401,928
Middletown	8,678,862	(162,416)	-	-	14,206	(15,344)	390,000	8,905,309
Narragansett	1,799,609	187,506	-	-	6,805	-	-	1,993,920
Newport	10,371,310	(3,022)	-	-	-	(15,086)	270,000	10,623,201
New Shoreham	75,366	6,942	-	-	8,795	-	-	91,103
North Kingstown	10,791,146	(77,454)	-	-	11,776	-	-	10,725,468
North Providence	14,744,604	1,460,616	-	127,118	63,703	(28,181)	240,000	16,607,860
North Smithfield	5,244,804	197,314	-	23,212	11,538	(9,022)	120,000	5,587,845
Pawtucket	70,719,232	3,383,875	-	86,439	46,535	(128,146)	735,000	74,842,936
Portsmouth	4,570,144	(266,472)	-	-	31,278	(7,524)	555,000	4,882,427
Providence	203,678,050	9,350,289	-	224,871	327,522	(348,093)	1,890,000	215,122,639
Richmond	5,335,436	(129,999)	-	-	-	-	-	5,205,437
Scituate	3,685,657	197,606	30,456	41,239	5,478	-	-	3,960,437
Smithfield	4,684,041	56,397	58,471	56,820	25,730	(6,247)	240,000	5,115,211
South Kingstown	7,785,495	(251,517)	-	110,627	24,518	(6,966)	315,000	7,977,156
Tiverton	5,769,004	31,660	-	-	27,501	-	-	5,828,166
Warwick	34,762,103	895,596	-	7,525	98,084	(28,530)	330,000	36,064,777
Westerly	7,122,961	497,128	-	-	84,105	-	-	7,704,193
West Warwick	20,265,989	708,006	-	49,384	4,224	-	-	21,027,604
Woonsocket	47,972,469	1,822,597	773,514	21,864	964	(21,130)	120,000	50,690,277
Bristol-Warren	16,455,588	(509,442)	-	634,659	54,406	(5,267)	120,000	16,749,944
Exeter-West Greenwich	5,858,269	(236,007)	20,505	694,294	39,325	(8,758)	270,000	6,637,628
Chariho	268,242	(38,320)	-	1,064,037	22,486	-	-	1,316,444
Foster-Glocester	5,001,610	(54,480)	-	240,810	16,521	-	-	5,204,461
Central Falls ⁴	38,399,592	(1,176,704)	-	60,173	14,248	-	-	37,297,309
District Total	\$690,342,874	\$25,418,018	\$986,918	\$4,351,360	\$1,499,696	(\$752,767)	\$6,846,000	\$728,692,096
Charter School Total	55,148,059	4,018,618	-	-	305	-	-	59,166,982
Davies ⁵	12,792,048	(551,874)	-	-	-	-	-	12,240,175
Met School	11,085,049	(583,689)	-	-	-	-	-	10,501,360
Urban Collaborative	296,703	277,810	-	-	-	-	-	574,513
Total	\$769,664,734	\$28,578,883	\$986,918	\$4,351,360	\$1,500,000	(\$752,767)	\$6,846,000	\$811,175,126

¹ Based on March 2014 enrollment update.² Estimate assumes communities implement full-day kindergarten program in FY2015. The estimate will be updated to reflect actual programs.³ Updated by RIDE on 1.28.2014 to reflect DCYF Group Home Report dated 12.31.2014 including reclassification of Groden Center.⁴ Does not include \$1.8 million for the Central Falls Stabilization Fund.⁵ Reflects \$113,664 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

FY2015 Education Aid versus FY2014 Budget as Enacted

LEA	FY2014 Enacted (including group home and categoricals)	FY2015 Education Aid (including group home and categoricals)	Change
Barrington	\$3,971,797	\$4,701,418	\$729,622
Burrillville	13,063,243	13,173,610	110,368
Charlestown	1,706,995	1,708,666	1,671
Coventry	20,348,442	21,039,825	691,383
Cranston	43,347,609	47,040,378	3,692,769
Cumberland	14,705,457	15,756,437	1,050,980
East Greenwich	2,323,568	2,469,554	145,986
East Providence	28,082,665	29,373,000	1,290,335
Foster	1,204,783	1,193,192	(11,591)
Glocester	2,705,444	2,640,483	(64,961)
Hopkinton	5,515,535	5,576,348	60,813
Jamestown	361,936	406,834	44,898
Johnston	11,997,593	13,192,809	1,195,217
Lincoln	8,990,606	9,855,862	865,256
Little Compton	365,270	401,928	36,658
Middletown	9,109,276	8,905,309	(203,968)
Narragansett	1,805,079	1,993,920	188,841
Newport	10,656,332	10,623,201	(33,130)
New Shoreham	81,762	91,103	9,341
North Kingstown	10,796,604	10,725,468	(71,136)
North Providence	15,094,386	16,607,860	1,513,474
North Smithfield	5,400,054	5,587,845	187,791
Pawtucket	71,459,692	74,842,936	3,383,244
Portsmouth	5,128,661	4,882,427	(246,235)
Providence	206,273,348	215,122,639	8,849,291
Richmond	5,335,436	5,205,437	(129,999)
Scituate	3,720,471	3,960,437	239,966
Smithfield	4,985,793	5,115,211	129,418
South Kingstown	8,154,487	7,977,156	(177,330)
Tiverton	5,775,390	5,828,166	52,776
Warwick	35,164,250	36,064,777	900,528
Westerly	7,164,219	7,704,193	539,974
West Warwick	20,309,057	21,027,604	718,547
Woonsocket	48,170,444	50,690,277	2,519,833
Bristol-Warren	17,089,869	16,749,944	(339,925)
Exeter-West Greenwich	6,579,220	6,637,628	58,408
Chariho	1,127,409	1,316,444	189,035
Foster-Glocester	5,213,357	5,204,461	(8,896)
Central Falls ¹	38,451,859	39,097,309	645,450
Subtotal District Aid	\$701,737,394	\$730,492,096	\$28,754,701
Charter School Total	55,148,059	59,166,982	4,018,923
Davies	12,792,048	12,240,175	(551,873)
Met School	11,085,049	10,501,360	(583,689)
Urban Collaborative	296,703	574,513	277,810
Total	\$781,059,253	\$812,975,126	\$31,915,872

¹ Includes Central Falls Stabilization Fund of \$1.8 million.

School Breakfast

The Budget restores the state reimbursement of school breakfast administrative costs as a mandatory program and the \$270,000 in general revenue funding. The Governor proposed amending the mandatory school breakfast program to make state support for administration costs optional instead of mandatory and eliminated funding. These administrative costs include hiring servers needed to effectively run the program and encourage participation.

Textbook Reimbursement

The Budget restores the textbook reimbursement program and \$240,000 in general revenue funding eliminated by the Governor. Through this program, the State reimburses school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2014, the minimum state share is 35.0 percent and the maximum is 95.2 percent for Central Falls.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement.

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, and 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.

This moratorium was scheduled to sunset on June 30, 2014; however, Article 22 of the FY2015 Budget extends the moratorium to May 1, 2015. The Department does not expect to see a significant impact on the State's school housing aid obligations before FY2018.

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 FY2015 budget includes \$67.9 million in school housing aid, a decrease of \$2.0 million from the FY2014 Budget as Enacted. The decrease is due to updated projections of when projects will be completed.

School Housing Aid

District	FY2014 Enacted	FY2014 Final	Difference from		
			FY2014 Enacted	FY2015 Enacted	
Barrington	\$495,221	\$516,838	\$21,617	\$532,787	\$37,566
Bristol-Warren	1,996,154	1,816,170	(179,984)	1,979,235	(16,919)
Burrillville	1,368,695	1,351,408	(17,287)	1,454,784	86,089
Central Falls	1,616,121	1,613,568	(2,553)	1,053,173	(562,948)
Chariho	1,350,900	1,279,893	(71,007)	1,281,300	(69,600)
Charlestown	-	-	-	-	-
Coventry	1,164,787	1,132,352	(32,435)	1,772,139	607,352
Cranston	2,260,760	2,260,760	-	2,093,712	(167,048)
Cumberland	2,039,772	1,969,607	(70,165)	1,775,518	(264,254)
East Greenwich	1,544,917	1,522,270	(22,647)	1,968,665	423,748
East Providence	1,645,113	1,183,940	(461,173)	2,078,402	433,289
Exeter-West Greenwich	645,501	494,710	(150,791)	706,648	61,147
Foster	15,600	24,684	9,084	-	(15,600)
Foster-Glocester	3,223,143	3,111,753	(111,390)	3,217,484	(5,659)
Glocester	96,949	21,124	(75,825)	26,586	(70,363)
Hopkinton	-	-	-	-	-
Jamestown	120,526	90,078	(30,448)	120,791	265
Johnston	405,774	405,774	-	634,011	228,237
Lincoln	1,103,899	1,074,082	(29,817)	1,287,001	183,102
Little Compton	84,408	84,408	-	666,391	581,983
Middletown	217,642	217,642	-	398,377	180,735
Narragansett	786,830	712,990	(73,840)	628,036	(158,794)
New Shoreham	208,289	208,290	1	208,997	708
Newport	2,379,782	1,587,094	(792,688)	1,695,698	(684,084)
North Kingstown	993,603	975,538	(18,065)	1,318,219	324,616
North Providence	1,461,371	1,222,828	(238,543)	1,417,266	(44,105)
North Smithfield	1,091,071	1,076,694	(14,377)	1,074,888	(16,183)
Pawtucket	2,071,804	1,840,108	(231,696)	2,203,320	131,516
Portsmouth	475,939	395,156	(80,783)	446,320	(29,619)
Providence	24,849,398	25,656,666	807,268	23,420,339	(1,429,059)
Richmond	-	-	-	-	-
Scituate	275,945	258,736	(17,209)	186,339	(89,606)
Smithfield	342,905	340,164	(2,741)	652,281	309,376
South Kingstown	720,892	733,348	12,456	688,882	(32,010)
Tiverton	884,881	871,135	(13,746)	853,085	(31,796)
Warwick	1,221,269	1,486,231	264,962	1,470,250	248,981
West Warwick	1,809,843	958,742	(851,101)	1,141,005	(668,838)
Westerly	2,291,762	2,306,124	14,362	2,227,077	(64,685)
Woonsocket	5,644,257	5,472,876	(171,381)	5,950,803	306,546
Subtotal	\$68,905,723	\$66,273,781	(\$2,631,942)	\$68,629,809	(\$275,914)
Compass	102,301	42,301	(60,000)	42,226	(60,075)
Paul Cuffee	176,903	130,984	(45,919)	106,295	(70,608)
CVS Highlander	97,729	97,729	-	95,855	(1,874)
Kingston Hill	61,290	61,290	-	61,583	293
Learning Community	155,650	182,042	26,392	160,523	4,873
Times ² Academy	874,908	874,908	-	853,213	(21,695)
Total Charter Schools	\$1,468,781	\$1,389,254	(\$79,527)	\$1,319,695	(\$149,086)
Total Housing Aid	\$70,374,504	\$67,663,035	(\$2,711,469)	\$69,949,504	(\$425,000)
State Saving for Refinancing	(425,000)	-	425,000	-	425,000
Unallocated Reduction ¹	-	-	-	(\$2,000,000)	(\$2,000,000)
Total	\$69,949,504	\$67,663,035	(\$2,286,469)	\$67,949,504	(\$2,000,000)

¹ According to the Department, the reduction enacted in the FY2015 Budget cannot be applied until the actual housing aid submissions are reviewed in July.

Source: Rhode Island Department of Elementary and Secondary Education.

Municipal Aid

For FY2015, a one-time, \$5.0 million increase in funding is provided for the Payment in Lieu of Taxes (PILOT) program. Distressed Community Relief Aid, Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2014 Enacted level. Other indirect aid is projected to increase slightly for FY2015 based on historic collection rates. For FY2015, the Budget maintains funding for Municipal Incentive Aid at the FY2014 level of \$5.0 million. Current law would have required funding for Municipal Incentive Aid to increase to \$10.0 million in FY2015. The 2013 General Assembly included \$7.0 million in other funds for the Municipal Roads and Bridges Revolving Loan Fund. The FY2014 Budget increases this amount by \$3.3 million. The Budget adds an additional \$5.0 million for this program in FY2015.

Tables showing impacts by community are included at the end of this analysis.

Program	Municipal Aid FY2013 - FY2015					FY2015		
	FY2013	FY2014 Enacted	FY2014 Revised	Change from Enacted	Change from Enacted	FY2015 Enacted	Change from Enacted	Change from Enacted
Payment in Lieu of Taxes	\$35.1	\$35.1	\$35.1	\$0.0	0.0%	\$40.1	\$5.0	14.3%
Distressed Communities	10.4	10.4	10.4	-	0.0%	10.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	-	5.0	5.0	-	0.0%	5.0	-	0.0%
State Aid to Libraries								
Grant-in-Aid	8.7	8.7	8.7	-	0.0%	8.7	-	0.0%
Library Construction	2.5	2.5	2.5	-	0.0%	2.3	(0.2)	-6.7%
Total Direct Aid	\$66.6	\$71.7	\$71.7	\$0.0	0.0%	\$76.5	\$4.8	6.7%
Public Service Corporations Tax	\$12.7	\$13.2	\$13.2	\$0.0	0.0%	\$14.3	\$1.1	8.1%
Meals & Beverage Tax	21.4	21.8	21.8	-	0.0%	23.1	1.3	5.9%
Hotel Tax	6.7	6.5	6.5	-	0.0%	6.6	0.1	1.9%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$41.7	\$42.5	\$42.5	\$0.0	0.0%	\$45.0	\$2.5	5.8%
Total Aid	\$108.3	\$114.2	\$114.2	\$0.0	0.0%	\$121.5	\$7.3	6.4%

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

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

PILOT funding for FY2015 is increased by \$5.0 million from the one-time sale of Tobacco Securitization Bonds. 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 FY2015 Budget represents a reimbursement rate of 25.44 percent.

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2006	\$27.0	18.7%	27.0%
2007	27.8	2.9%	27.0%
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%
2011	27.6	0.0%	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	23.8%
2014	35.1	0.0%	22.0%
2015	40.1	14.2%	25.4%

\$ in millions.

The Budget also includes a provision that payments will only be disbursed after the receipt of a municipality's assessment data or July 31, whichever is later.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2013, \$10.4 million was appropriated and distributed to 7 qualifying municipalities. The City of Cranston met 3 of the 4 indices in FY2013 and became newly eligible for the Distressed Community Relief program. As a newly qualifying community, the City received 50.0 percent of the funding it would be entitled to in the first year (FY2013), and then the full amount thereafter. This has a distributional impact on other distressed communities eligible for these funds.

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

Distressed Community Relief Fund Distribution

Municipality	FY2014	FY2015	Change
	Enacted	Enacted	
Central Falls	\$170,622	\$197,930	\$27,308
Cranston	2,320,642	1,160,322	(1,160,320)
North Providence	846,788	948,672	101,884
Pawtucket	1,252,009	1,387,409	135,400
Providence	4,429,560	5,071,751	642,192
West Warwick	675,776	783,095	107,319
Woonsocket	689,062	835,279	146,217
Total	\$10,384,458	\$10,384,458	-

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. 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 FY2014.

For FY2015, 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.

Motor Vehicle Excise Tax

Fiscal Year	Total Funding	% Change
2006	\$117.6	12.1%
2007	136.2	15.8%
2008	135.3	-0.7%
2009	135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%
2014	10.0	0.0%
2015	10.0	0.0%

\$ in millions.

FY2012 - FY2014 Motor Vehicle Exemptions

Municipality	FY2012	FY2013	FY2014	Municipality	FY2012	FY2013	FY2014
Barrington	\$500	\$500	\$1,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	3,000	Newport	6,000	6,000	6,000
Burrillville	1,500	1,500	1,500	New Shoreham	6,000	6,000	1,000
Central Falls	1,000	1,000	1,000	North Kingstown	3,000	3,000	3,000
Charlestown	500	500	500	North Providence	500	500	500
Coventry	500	500	500	North Smithfield	500	500	675
Cranston	500	500	500	Pawtucket	500	500	500
Cumberland	500	500	500	Portsmouth	3,000	3,000	3,000
East Greenwich	6,000	6,000	6,000	Providence	1,000	1,000	1,000
East Providence	500	500	500	Richmond	500	500	500
Exeter	500	500	500	Scituate	6,000	6,000	6,000
Foster	3,100	3,100	3,100	Smithfield	1,000	1,000	1,000
Glocester	500	500	500	South Kingstown	3,000	3,000	3,000
Hopkinton	500	500	500	Tiverton	6,000	6,000	6,000
Jamestown	6,000	6,000	6,000	Warren	500	500	500
Johnston	500	500	500	Warwick	500	2,000	2,000
Lincoln	3,000	3,000	3,000	Westerly	1,500	1,500	1,500
Little Compton	6,000	6,000	6,000	West Greenwich	500	500	500
Middletown	3,000	3,000	3,000	West Warwick	3,000	2,500	1,000
				Woonsocket	500	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. Article 2 of the FY2015 Budget maintains funding for this program at the FY2014 level of \$5.0 million. For FY2015 and FY2016, current law would have required funding of \$10.0 million.

The Division of Municipal Finance within the Department of Revenue administers and manages the program, and aid is distributed in March to eligible communities based on municipal population as a share of the total state population, as reported by the U.S. Department of Commerce, Bureau of the Census.

The budget maintains Municipal Incentive Aid funding for 3 years at the \$5.0 million level; however, a provision enacted in the FY2015 Budget allows the program to continue subject to appropriation.

Eligibility Requirements FY2015 and each year thereafter: For FY2015 and each year thereafter, municipalities will be eligible to receive Incentive Aid if they comply with at least one of the following requirements:

- The municipality has no locally-administered pension plans.
- The municipality has transitioned all locally-administered pension plans into MERS by June 30, 2014.
- The municipality has submitted a Funding Improvement Plan (FIP), meeting the guidelines of the Locally Administered Pension Plan Study Commission to DOR for every locally-administered pension plan, and the FIP meets the guidelines of the Study Commission on Locally-Administered Pension Plans (or otherwise applicable guidelines or regulations), and the municipality has implemented the original FIP pursuant to chapter 45-65, and the FIPs are approved by the plan sponsor and the local governing body. The municipality must notify plan participants, beneficiaries and others pursuant to Chapter 45-65.
- The municipality has implemented the original recommended FIP or an amended FIP within one month after the close of the fiscal year and made the required funding payments (formerly referred to

as annually Required Contributions or “ARC”) in compliance with the municipality’ adopted FIP(s) and the funding guidelines established by the pension study commission; and the FIPs are approved by the plan sponsor and the local governing body.

- There exists a locally-administered pension plan in the municipality, but no FIP was required, and either (A) the municipality is funding 100.0 percent of its required funding payment; or, (B) if a lesser funding payment is made, the municipality has maintained a funded ratio of at least 100.0 percent, or a FIP is required pursuant to chapter 45-65; however the due date for the FIP submission or implementation is after the March payment of this municipal incentive aid.

If a municipality does not meet the eligibility requirements to receive an appropriation in any fiscal year, those funds are reappropriated into the next year. If that community becomes eligible in the second year, then it will receive the appropriations from both years; if not, the funds will be distributed among all other eligible communities.

Analyst’s Note: Although the Town of Coventry submitted a FIP to the Department of Revenue, the plan sponsor and the local governing body did not approve the FIP, as required by law. Therefore, the Town will not receive its Municipal Incentive Aid allocation of \$166,126 for FY2014. These funds will be reappropriated in FY2015 and will be distributed to the eligible communities in May 2015 if the Town again fails to meet the eligibility requirements.

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 includes funding for FY2015 at the FY2014 level of \$8.7 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$855,066.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community’s debt service requirement, for a period of up to 20 years.

For FY2014, the Budget includes \$2.5 million for Library Construction Aid, and for FY2015, the Budget includes \$2.3 million, a decrease of \$169,076 to reflect actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ends on July 1, 2014. OLIS is aware of two communities that may be moving forward with project applications. A project in Foster, at an estimated cost of \$4.0 million (\$2.0 million state reimbursement), would not have an impact on the state budget until FY2017, if it were approved by OLIS. A Greenville project (Smithfield) still needs voter approval.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2006	\$8.4	\$2.6	\$11.0	4.4%
2007	8.7	2.8	11.5	4.0%
2008	8.7	2.7	11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%

\$ in millions.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for

appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Budget includes funding of \$633,209 for the Property Revaluation program in FY2015, an increase of \$116,594 over the FY2014 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2015: Exeter, Foster, Middletown, Narragansett, Newport, Pawtucket, Tiverton, and Woonsocket.

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2006	\$1.2	70.9%
2007	2.1	78.0%
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%

\$ in millions.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2015 Budget provides \$14.3 million be distributed to municipalities on July 31, 2014.

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2006	\$12.2	-16.5%
2007	10.3	-15.2%
2008	10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%

\$ in millions.

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State: it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered. For FY2014, the Office of Revenue Analysis estimates meal and beverage tax distributions at \$21.8 million. For FY2015, the Office of Revenue Analysis anticipates growth of 5.9 percent in collections, yielding \$23.1 million.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located. The balance of the tax is deposited as state general revenues (21.0 percent); forwarded to the Greater Providence-Warwick Convention and Visitors' Bureau (7.0 percent), or distributed to the regional tourism district where the hotel is located (47.0 percent).

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred.

Total distribution to municipalities is estimated at \$6.5 million for FY2014 and \$6.6 million for FY2015.

Fiscal Year	Total Funding	% Change
2006	\$17.6	2.5%
2007	18.8	6.9%
2008	18.7	-0.4%
2009	18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	21.8	2.0%
2015	23.1	5.9%

\$ in millions.

Fiscal Year	Total Funding	% Change
2006	\$5.4	50.0%
2007	5.7	5.6%
2008	5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	6.6	1.3%

\$ in millions.

OTHER AID TO LOCAL GOVERNMENT**Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and are projected to reach \$908,983 in FY2014. The FY2015 budget includes \$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 FY2015. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The

remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2015 Estimate	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$193,000		\$793,000
Block Island		31,500		31,500
Middletown-Newport Airport ¹		43,000		43,000
North Central				
Smithfield		20,000	5,000	25,000
Lincoln		20,000	5,000	25,000
North Kingstown - Quonset		66,000		66,000
Westerly		41,500		41,500
Total	\$600,000	\$415,000	\$10,000	\$1,025,000

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increases this amount by \$3.3 million, for a total of \$10.3 million. The Budget also includes an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds to capitalize this program in FY2015.

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 Clean Water Finance Agency (CWFA). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations development by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the Clean Water Finance Agency has approved applications from seven municipalities for road and bridge projects as follows:

Municipality	Amount
Burrillville	\$680,000
East Providence	1,215,000
New Shoreham	255,000
Newport	1,000,000
Pawtucket	1,750,000
Warwick	1,600,000
Westerly	400,000
Total	\$6,900,000

Automated Traffic Violation Monitoring Systems-Debt Forgiveness

Article 9 of the FY2014 Budget as Enacted included legislation which would require municipalities to make payments to the State based on automated traffic violations beginning on July 1, 2013. Several years ago there were a series of cameras installed throughout Providence to identify drivers running red lights to ensure the appropriate fine is assessed and ticket issued. Revenue from these fines was to be split between the City, the traffic monitoring system vendor, and the State. Currently, Providence is the only community that has this system installed, and the City has not made payments to the State for the State's share of the fine revenue. The legislation passed in 2013 forgave the past debt and required the City to make payments to the State going forward, resulting in a savings to the City of \$1.7 million.

Legislation passed during the 2014 legislative session reinstates the moratorium on payments due to the State beginning on July 1, 2015. This effectively requires Providence to make payments to the State for FY2014 and FY2015.

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls, to be deposited into a restricted account to provide transition payments over five years to retirees, to municipal retirees who sustained significant pension reductions as a result of actions by the City Receiver to improve the financial condition of the City, based on a "Settlement and Release Agreement" between 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.

These 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 legislature requires the State to appropriate sufficient funds to the city of Central Falls for payment to Central Falls' city retirees so that those retirees would 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 \$4.8 million to the Central Falls pension fund, beginning with \$328,561 on July 1, 2016, and ending with a payment of \$4,166 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 appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State. The Budget includes \$260,000 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for salary and benefit costs associated with the implementation of this Act. The Central Coventry Fire District, after several failed attempts to pass a budget, has been 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 legislation does the following:

- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the appointment of a Fiscal Overseer, Budget Commission, or Receiver by the State.
- 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 that are 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.

Presently, there is no state oversight in any of the state’s fire districts. Through this legislation, 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.

- 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

FY2014 Revised Direct Municipal Aid to Cities and Towns

Municipality	FY2014			Distressed			Municipal			Library			FY2014	
	Enacted	Payment In Lieu of Taxes	Communities Relief Fund	Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in-Aid ¹	Construction Aid	Revised Municipal Aid	Change from Enacted					
Barrington	\$756,453	\$13,387	\$0	\$77,873	\$253,456	\$341,149	\$70,588	\$756,453	\$0					
Bristol	1,306,081	692,850	-	109,663	101,579	129,784	272,206	1,306,081	-					
Burrillville	801,320	112,264	-	75,643	192,748	129,564	291,100	801,320	-					
Central Falls	388,482	24,639	170,622	91,844	87,356	14,022	-	388,482	-					
Charlestown	127,793	-	-	37,260	42,696	47,837	-	127,793	-					
Coventry ²	617,176	-	-	166,126	235,735	215,315	-	617,176	-					
Cranston	9,479,088	5,236,468	2,320,642	381,765	966,785	541,181	32,247	9,479,087	-					
Cumberland	876,142	101	-	158,222	235,961	268,332	213,526	876,142	-					
East Greenwich	612,529	204,946	-	62,403	90,440	121,963	132,777	612,529	-					
East Providence	1,357,372	176,390	-	224,226	484,524	403,334	68,898	1,357,372	-					
Exeter	238,026	-	-	30,874	89,481	41,703	75,968	238,026	-					
Foster	109,304	372	-	21,699	55,664	31,569	-	109,304	-					
Glocester	217,755	-	-	46,378	99,703	71,674	-	217,755	-					
Hopkinton	139,296	-	-	38,721	66,491	34,084	-	139,296	-					
Jamestown	187,832	-	-	25,703	23,683	80,467	57,979	187,832	-					
Johnston	660,911	-	-	136,438	404,093	120,380	-	660,911	-					
Lincoln	501,357	-	-	100,146	209,370	191,841	-	501,357	-					
Little Compton	60,944	-	-	16,614	14,660	29,670	-	60,944	-					
Middletown	344,432	-	-	76,967	73,198	135,566	58,701	344,432	-					
Narragansett	264,450	-	-	75,677	65,718	123,055	-	264,450	-					
Newport	1,911,791	1,101,494	-	116,689	84,173	378,526	230,909	1,911,791	-					
New Shoreham	150,147	-	-	4,521	4,089	78,316	63,221	150,147	-					
North Kingstown	623,435	1,941	-	125,830	197,458	263,710	34,496	623,435	-					
North Providence	2,090,997	544,065	846,788	152,463	375,931	171,750	-	2,090,997	-					
North Smithfield	301,532	-	-	56,226	181,965	63,341	-	301,532	-					
Pawtucket	3,099,379	472,601	1,252,009	338,637	720,887	315,245	-	3,099,379	-					
Portsmouth	270,475	-	-	82,157	84,872	103,446	-	270,475	-					
Providence ¹	33,736,148	24,227,137	4,429,560	845,052	1,737,590	2,195,152	301,658	33,736,148	-					
Richmond	123,863	-	-	36,481	61,243	26,139	-	123,863	-					
Scituate	219,051	-	-	48,939	74,943	95,169	-	219,051	-					
Smithfield	1,184,915	537,747	-	101,773	275,736	269,659	-	1,184,915	-					
South Kingstown	658,653	154,721	-	144,389	146,786	203,946	8,811	658,653	-					
Tiverton	232,292	-	-	74,510	63,673	94,109	-	232,292	-					
Warren	191,342	-	-	50,918	86,863	53,561	-	191,342	-					
Warwick	3,744,927	1,226,062	-	394,569	1,270,121	688,368	165,806	3,744,926	-					
Westerly	951,312	121,833	-	108,439	201,730	265,543	253,767	951,312	-					
West Greenwich	108,984	-	-	28,597	53,261	27,126	-	108,984	-					
West Warwick	1,159,372	-	675,776	138,805	197,021	147,770	-	1,159,372	-					
Woonsocket	1,870,967	231,391	689,062	196,763	388,319	197,423	168,009	1,870,967	-					
Total	\$71,676,325	\$35,080,409	\$10,384,458	\$5,000,000	\$10,000,000	\$8,710,789	\$2,500,667	\$71,676,323	-					

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2015 Direct Municipal Aid to Cities and Towns

Municipality	FY2014		Payment In		Distressed		Municipal		Motor Vehicle		Library Grant		Library		Change from	
	Revised	Lieu of Taxes	Relief Fund	Incentive Aid	Excise Tax	In-Aid ¹	Construction	Total FY2015	Municipal Aid	Revised	FY2014					
Barrington	\$756,453	\$15,625	\$0	\$77,873	\$236,976	\$341,488	\$68,534	\$740,496	\$740,496	(\$15,957)						
Bristol	1,306,081	825,101	-	109,663	116,200	139,595	274,019	1,464,578	1,464,578	158,496						
Burrillville	801,320	134,639	-	75,643	209,316	141,022	283,801	844,421	844,421	43,102						
Central Falls	388,482	21,572	197,930	91,844	88,261	17,569	-	417,176	28,694							
Charlestown	127,793	-	-	37,260	40,197	47,766	-	125,223	(2,570)							
Coventry	617,176	-	-	166,126	219,567	222,474	-	608,167	(9,009)							
Cranston	9,479,087	6,043,928	1,160,322	381,765	902,676	539,079	30,479	9,058,249	(420,838)							
Cumberland	876,142	118	-	158,222	222,875	273,112	211,377	865,704	(10,438)							
East Greenwich	612,529	360,281	-	62,403	121,975	121,085	63,277	729,021	116,492							
East Providence	1,357,372	222,995	-	224,226	576,285	363,025	67,115	1,453,646	96,274							
Exeter	238,026	-	-	30,874	82,278	45,664	75,968	234,784	(3,242)							
Foster	109,304	431	-	21,699	67,222	31,550	-	120,902	11,598							
Glocester	217,755	-	-	46,378	93,040	71,631	-	211,049	(6,706)							
Hopkinton	139,296	-	-	38,721	61,873	34,685	-	135,279	(4,017)							
Jamestown	187,832	-	-	25,703	35,711	87,697	-	149,111	(38,721)							
Johnston	660,911	-	-	136,438	376,545	124,729	-	637,712	(23,199)							
Lincoln	501,357	-	-	100,146	237,608	191,018	-	528,772	27,415							
Little Compton	60,944	-	-	16,614	24,136	30,298	-	71,048	10,104							
Middletown	344,432	-	-	76,967	84,730	137,973	57,207	356,877	12,445							
Narragansett	264,450	-	-	75,677	96,326	122,983	-	294,986	30,536							
Newport	1,911,791	1,315,321	-	116,689	133,938	381,739	224,234	2,171,921	260,130							
New Shoreham	150,147	-	-	4,521	7,124	78,270	64,538	154,453	4,306							
North Kingstown	623,435	1,594	-	125,830	226,217	273,440	33,280	660,361	36,926							
North Providence	2,090,997	631,707	948,672	152,463	348,919	176,242	-	2,258,003	167,006							
North Smithfield	301,532	-	-	56,226	176,956	63,304	-	296,486	(5,046)							
Pawtucket	3,099,379	545,565	1,387,409	338,637	671,382	329,493	-	3,272,486	173,108							
Portsmouth	270,475	-	-	82,157	104,673	103,554	-	290,384	19,909							
Providence ¹	33,736,148	27,109,512	5,071,751	845,052	1,712,321	2,145,198	287,746	37,171,580	3,435,432							
Richmond	123,863	-	-	36,481	58,014	26,531	-	121,026	(2,837)							
Scituate	219,051	-	-	48,939	124,353	95,113	-	268,405	49,354							
Smithfield	1,184,915	646,892	-	101,773	279,144	269,275	-	1,297,084	112,169							
South Kingstown	658,653	186,170	-	144,389	170,945	199,345	-	700,849	42,196							
Tiverton	232,292	-	-	74,510	107,329	102,842	-	284,681	52,389							
Warren	191,342	-	-	50,918	81,767	53,916	-	186,601	(4,741)							
Warwick	3,744,926	1,595,654	-	394,569	1,049,606	691,943	167,779	3,899,552	154,626							
Westerly	951,312	146,095	-	108,439	221,373	255,839	253,767	985,513	34,201							
West Greenwich	108,984	-	-	28,597	59,026	28,154	-	115,777	6,793							
West Warwick	1,159,372	-	783,095	138,805	218,649	155,644	-	1,296,193	136,821							
Woonsocket	1,870,967	277,209	835,279	196,763	354,466	196,505	168,470	2,028,692	157,725							
Total	\$71,676,323	\$40,080,409	\$10,384,458	\$5,000,000	\$10,000,000	\$8,710,790	\$2,331,591	\$76,507,248	\$4,830,925							

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2014 Indirect Local Aid to Cities and Towns

Municipality	FY2013 Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2014 Total Indirect Aid	Change from FY2013
Barrington	\$334,745	\$205,617	\$140,738	\$0	\$346,355	\$11,610
Bristol	653,412	289,555	353,116	30,309	672,980	19,568
Burrillville	365,599	199,730	176,444	-	376,174	10,575
Central Falls	335,634	242,507	104,134	-	346,641	11,007
Charlestown	222,802	98,381	110,430	20,323	229,134	6,333
Coventry	857,343	438,642	372,548	70,692	881,882	24,538
Cranston	2,470,465	1,008,020	1,518,621	9,198	2,535,839	65,374
Cumberland	788,232	417,774	391,340	-	809,114	20,881
East Greenwich	635,509	164,770	484,805	367	649,942	14,433
East Providence	1,406,254	592,051	818,421	35,654	1,446,126	39,872
Exeter	152,376	81,520	76,289	-	157,809	5,433
Foster	69,930	57,295	14,605	132	72,032	2,102
Glocester	190,638	122,456	72,747	1,811	197,014	6,376
Hopkinton	146,986	102,239	49,242	-	151,481	4,495
Jamestown	157,784	67,867	84,057	10,222	162,146	4,361
Johnston	826,261	360,253	481,407	6,548	848,208	21,947
Lincoln	1,036,784	264,428	705,910	89,914	1,060,252	23,468
Little Compton	83,753	43,867	33,671	8,756	86,294	2,542
Middletown	1,417,189	203,225	631,797	612,044	1,447,066	29,877
Narragansett	814,781	199,818	554,106	80,107	834,031	19,249
Newport	3,864,541	308,107	1,902,127	1,726,727	3,936,961	72,420
New Shoreham	501,463	11,937	265,712	231,486	509,135	7,672
North Kingstown	855,237	332,245	480,338	65,082	877,665	22,428
North Providence	726,635	402,567	346,195	-	748,762	22,128
North Smithfield	331,937	148,460	188,449	2,569	339,478	7,541
Pawtucket	1,583,253	894,145	695,812	43,228	1,633,185	49,933
Portsmouth	393,778	216,929	179,149	8,408	404,486	10,708
Providence	8,392,595	2,231,291	4,609,224	1,746,158	8,586,673	194,078
Richmond	215,139	96,326	120,921	3,476	220,723	5,584
Scituate	189,714	129,220	62,506	3,982	195,708	5,995
Smithfield	955,571	268,724	578,904	130,448	978,076	22,505
South Kingstown	1,127,516	381,247	646,410	125,057	1,152,714	25,198
Tiverton	382,929	196,736	196,200	-	392,936	10,008
Warren	374,598	134,444	250,968	-	385,412	10,814
Warwick	4,242,054	1,041,829	2,406,037	895,867	4,343,733	101,679
Westerly	1,318,781	286,324	730,227	332,003	1,348,554	29,773
West Greenwich	256,775	75,508	101,497	84,578	261,583	4,808
West Warwick	757,083	366,504	323,440	89,146	779,090	22,007
Woonsocket	1,058,941	519,536	518,635	54,000	1,092,171	33,230
Total	\$40,495,014	\$13,202,094	\$21,777,177	\$6,518,292	\$41,497,563	\$1,002,549

FY2015 Indirect Local Aid to Cities and Towns

Municipality	FY2014 Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2015 Total Indirect Aid	Change from FY2014
Barrington	\$346,355	\$221,639	\$148,404	\$0	\$370,043	\$23,688
Bristol	672,980	308,928	360,317	32,820	702,065	29,085
Burrillville	376,174	216,868	209,468	-	426,336	50,162
Central Falls	346,641	262,600	102,591	-	365,191	18,550
Charlestown	229,134	106,035	117,928	18,465	242,428	13,294
Coventry	881,882	474,601	381,214	66,230	922,045	40,163
Cranston	2,535,839	1,090,383	1,615,035	8,813	2,714,231	178,393
Cumberland	809,114	454,704	418,217	-	872,921	63,807
East Greenwich	649,942	178,130	546,085	513	724,728	74,786
East Providence	1,446,126	639,014	880,760	34,221	1,553,995	107,869
Exeter	157,809	90,136	83,930	-	174,066	16,257
Foster	72,032	62,363	16,016	86	78,465	6,433
Glocester	197,014	132,587	78,783	1,829	213,199	16,186
Hopkinton	151,481	110,548	55,751	-	166,299	14,818
Jamestown	162,146	73,464	83,545	9,069	166,078	3,932
Johnston	848,208	390,714	501,587	6,775	899,076	50,867
Lincoln	1,060,252	286,509	734,957	93,782	1,115,248	54,995
Little Compton	86,294	47,318	41,199	10,036	98,553	12,259
Middletown	1,447,066	218,914	649,459	582,355	1,450,728	3,661
Narragansett	834,031	214,997	540,384	76,862	832,243	(1,788)
Newport	3,936,961	330,398	2,064,335	1,772,934	4,167,667	230,706
New Shoreham	509,135	11,697	278,201	252,783	542,681	33,546
North Kingstown	877,665	358,048	499,111	70,068	927,227	49,562
North Providence	748,762	435,538	375,812	-	811,350	62,588
North Smithfield	339,478	161,729	211,130	3,094	375,953	36,475
Pawtucket	1,633,185	965,684	700,761	45,902	1,712,347	79,162
Portsmouth	404,486	234,854	191,566	8,843	435,263	30,777
Providence	8,586,673	2,415,159	4,917,696	1,754,588	9,087,443	500,770
Richmond	220,723	103,920	128,437	3,580	235,937	15,214
Scituate	195,708	140,191	72,735	3,270	216,196	20,488
Smithfield	978,076	291,036	628,350	127,795	1,047,181	69,106
South Kingstown	1,152,714	412,970	693,891	127,329	1,234,190	81,476
Tiverton	392,936	213,316	203,605	-	416,921	23,985
Warren	385,412	144,380	248,669	-	393,049	7,637
Warwick	4,343,733	1,120,907	2,523,900	933,292	4,578,099	234,366
Westerly	1,348,554	308,860	769,745	367,066	1,445,671	97,117
West Greenwich	261,583	82,423	112,199	87,998	282,620	21,037
West Warwick	779,090	394,835	338,506	82,938	816,279	37,188
Woonsocket	1,092,171	559,030	527,242	60,587	1,146,859	54,688
Total	\$41,497,563	\$14,265,427	\$23,051,521	\$6,643,922	\$43,960,870	\$2,463,307

Sustainable Transportation Funding

Article 21 of 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), beginning 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, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority (RIPTA) for operational support, beginning in FY2016.
- 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.
- 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 in Article 21.
- Allows more flexible use of the MHA, which was established in 2011 to provide the non-bonded match to the State federal program.

Revenues					
Fees and Surcharges	FY2015	FY2016	FY2017	FY2018	FY2019
Motor Vehicle Registration and License ¹	\$0.0	\$12.5	\$37.9	\$52.8	\$51.8
Inspection Sticker ²	5.7	5.9	6.0	6.1	6.2
Motor Vehicle Title ²	9.0	9.3	8.9	8.5	8.5
Rental Car Surcharge ²	2.8	2.9	2.9	3.0	3.0
Inspection Sticker Increase ³	4.8	5.9	6.0	6.1	6.2
Gas Tax Index (bi-annually beginning in FY2016) ³	-	4.2	4.2	12.5	12.4
Good Driving Fee (\$25) ³	0.6	0.6	0.6	0.6	0.6
Increased RICAP Allocation	6.0	5.0	4.0	4.0	4.0
Total New Fees Charges and RICAP	\$28.9	\$46.3	\$70.5	\$93.5	\$92.6
Unallocated Bond Proceeds	17.0	8.0	-	-	-
Existing Gas Tax Freed up from the Debt Service Plan	2.9	9.8	20.5	28.4	29.7
New Revenue into Highway Maintenance Account	\$48.8	\$64.0	\$91.1	\$121.9	\$122.3
Expenditures					
Less: Debt Service Transfer	(19.3)	(29.3)	(39.3)	(39.7)	(38.7)
Less: Transfer of 3.5 cents to Turnpike and Bridge	(14.7)	(14.6)	(14.6)	(14.5)	(14.4)
Less: Transfer to RIPTA	-	(2.7)	(4.0)	(4.7)	(4.7)
New Statewide Infrastructure Funding	\$14.9	\$17.4	\$33.2	\$62.9	\$64.5

\$ in millions.

¹ These fees are currently deposited into the State General Fund as general revenue, and will be shifted to RIDOT as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018 and beyond.

² These fees are currently deposited as general revenue. They will be shifted to RIDOT in their entirety beginning in FY2015.

³ New revenue

Source: Office of Revenue Analysis and State Budget Office

Rhode Island Highway Maintenance Account

This account was created by the Transportation Investment and Debt Reduction Act of 2011 as a special account within the Intermodal Surface Transportation Fund. This account was established to accept surcharges imposed on driver's licenses and vehicle registration, which are to be used as the State match for federal funds for Highway Improvement Program.

Article 21 of the FY2015 Budget as Enacted amends this section of law to allow RIDOT to use funds within the Highway Maintenance Account to provide necessary funding to programs that are "designed to eliminate structural deficiencies of the state's bridge, road and maintenance systems and infrastructure."

In addition to the funds previously deposited into the Highway Maintenance Account from the surcharges on driver's licenses and vehicle registrations, the following monies will be directed to the Account:

- **Vehicle Title Revenue:** The \$50 fee collected by the Division of Motor Vehicles for the issuance of a certificate of title will be deposited to the Highway Maintenance Account beginning in FY2015. This fee, which generates approximately \$9.0 million annually, was deposited into the General Fund.
- **Rental Vehicle Surcharge:** This initiative shifts the State's share (40.0 percent) of a surcharge imposed on rental vehicles to the Highway Maintenance Account on an annual basis, beginning in FY2015. This surcharge represents 8.0 percent of gross rental receipts, per vehicle, for each of the first 30 consecutive days. This fee, which is expected to generate \$2.8 million in FY2015, was deposited into the General Fund.
- **Good Driver Fee:** A new \$25.00 surcharge on an application for dismissal based on a good driving record is imposed. This surcharge is in addition to the current \$35.00 for administrative court costs associated with the dismissal. Drivers who have had a motor vehicle operator's license for more than three years and who have been issued traffic violations are the driver's first violations within the

preceding three years, are eligible to request a hearing seeking a dismissal of the violations based on the operator's good driving record. This surcharge, which is estimated to generate approximately \$600,000 annually, will be deposited into the Highway Maintenance Account beginning in FY2015.

- **Inspection Sticker Increase:** The cost for motor vehicle emissions inspections will increase from \$39 to \$55. The additional fee is expected to generate \$4.8 million in FY2015, and will be distributed as follows:

Distribution of Vehicle Emission Inspection Fees

	Old	New
Inspection Station Owner	\$19.00	\$19.00
Program Manager	4.00	4.00
General Fund	16.00	-
Highway Maintenance Account	-	32.00
Total	\$39.00	\$55.00

- **General Obligation Bonds:** All remaining funds from previous general obligation bond issues that have not otherwise been allocated will be deposited to the Highway Maintenance Account.

In addition, beginning in FY2016, the following fee revenue, which are currently deposited into the General Fund, will be deposited into the Highway Maintenance Account:

- All fees from vehicle emission inspections that currently are deposited into the General Fund
- All fees from vehicles registrations
- All fees from operator and chauffer licenses, as well as special licenses for motorcycles, motor scooters, and other motor-driver cycles.
- These fees will be phased in based on the following schedule:
 - From July 1, 2015 through June 30, 2016 (FY2016) 25.0 percent will be deposited (\$12.5 million)
 - From July 1, 2016 through June 30, 2017 (FY2017) 75.0 percent will be deposited (\$37.5 million)
 - From July 1, 2017, and each year thereafter, 100.0 percent will be deposited (\$52.8 million)

Other Transportation Funding Initiatives

Rhode Island Public Transit Authority: This initiative provides that 5.0 percent of available proceeds in the Rhode Island Highway Maintenance Account shall be allocated annually to the Rhode Island Public Transit Authority for operating expenditures, beginning in FY2016. This is expected to provide an additional \$2.7 million to RIPTA in FY2016, increasing to \$4.7 million in FY2019.

Gas Tax Index Increase: The motor fuel tax will be adjusted, every other year, based on the percentage increase of the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Bureau of Labor Statistics, determined as of September 30 of the prior calendar year. The adjustment will be rounded to the nearest one cent increment and shall not be less than the current thirty-three cent gas tax. Based on estimates provided by the Office of Revenue Analysis, this adjustment will generate an additional \$4.2 million when instituted on July 1, 2015.

Sakonnet Bridge Toll Removal: The FY2015 Budget as Enacted removes the authority of RITBA to collect tolls on the Sakonnet River Bridge and requires that the current toll operation cease on June 30, 2014. The FY2013 Budget as Enacted delayed the collection of tolls on the Sakonnet River Bridge until August 19, 2013, allowing RITBA to institute a toll of no more than ten cents (\$0.10) and established a

joint legislative commission to study transportation funding in Rhode Island. Under current bond covenants, the Authority cannot assume authority of additional assets (in this case the Sakonnet River Bridge and Jamestown Verrazzano Bridge) unless a funding stream is provided for the maintenance of those assets. The funding stream for the RITBA will be provided by an annual transfer of 3.5 cents of the motor vehicle fuel tax to the Rhode Island Turnpike and Bridge Authority, beginning in FY2015, resulting in approximately \$14.5 million in additional revenue to RITBA each year, in lieu of a toll on the Sakonnet River Bridge.

The funds that are transferred to the RITBA will be deducted from RIDOT's share of the motor vehicle fuel tax, which is 21.75 cents per gallon. This will result in approximately \$14.5 million in additional revenue to RITBA each year. Article 21 of the FY2015 budget as Enacted includes language requested by the Rhode Island Turnpike and Bridge Authority to define more clearly how the RITBA can use its gas tax receipts. Specifically, funds can be used to satisfy and/or secure its revenue bonds and notes and/or debt service payments, including \$68.1 million in bond authorization pursuant to Article 6 Section 3 of the FY2011 Budget as Enacted. The RITBA also may issue bonds and notes previously authorized for the purpose of financing all expenses incurred by it for the formerly authorized tolling of the Sakonnet River Bridge and the termination thereof.

The Budget also maintains the authority of the RITBA to toll the Newport Bridge and the Mount Hope Bridge.

Hospitals

The Budget increases net support of the State's community hospitals by \$7.0 million in FY2015 through the Disproportionate Share Hospital (DSH) program and Upper Payment Limit (UPL) payments and provides an additional \$1.0 million to hospitals for a new medical education program. At the same time, support of hospitals is reduced as rates paid to hospitals for Medicaid inpatient and outpatient services are frozen at FY2013 levels to achieve \$4.4 million in general revenue savings (\$8.8 million all funds).

Upper Payment Limit (UPL)

The Budget as Enacted includes UPL payments totaling \$22.6 million as part of the Medicaid program that allows additional payments to hospitals that provide care to Medicaid individuals. This additional payment makes up for the Medicaid shortfall between the cost of caring for Medicaid patients and the amount hospitals were paid for such care.

While the State has traditionally made a UPL payment to hospitals to make up for the Medicaid shortfall for outpatient services, this Budget also makes an UPL payment for inpatient services. The Medicaid shortfall for inpatient services is the result of the freeze of hospital rates that was included in the FY2013 Budget, which increased the gap between hospital costs and Medicaid payments for services delivered in that fiscal year and created a new pool of uncompensated care.

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

Disproportionate Share Hospital (DSH)

The Budget also includes \$138.3 million in FY2015 for the Disproportionate Share Hospital (DSH) program which makes payments to hospitals that provide care to uninsured and Medicaid individuals. The State's community hospitals report providing \$294.7 million in uncompensated care and raising \$2.7 billion in net patient revenue in 2013.

Rhode Island's community hospitals receive payments from the Executive Office of Health and Human Services (OHHS) and the federal government for uncompensated care they provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments.

Under current law (RIGL 40-8.3-3), DSH payments are distributed to hospitals based on the ratio of each hospital's uncompensated inpatient care costs to the total uncompensated inpatient care costs for all hospitals. "Uncompensated care costs" are defined as the sum of the costs to each hospital for care attributable to charity care (free care or bad debt) and the hospital's "Medicaid losses" (the difference between the cost of care provided to Medicaid beneficiaries and Medicaid reimbursements) times the uncompensated care index. The "uncompensated care index" is a percentage adjustment intended to account for any growth between the base year and the current year. For FFY2015, the article sets the index to 5.3 percent (the same as in FFY2014).

Hospital Licensing Fee

The Budget increases the hospital licensing fee to 5.703 percent and raises licensing fee revenue by \$14.8 million to \$155.3 million. Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments, which are made to hospitals that deliver care to a large number of uninsured and Medicaid individuals. The combined net impact of the licensing fee and DSH payments on individuals hospitals is as follows:

Community Hospitals	Licensing Fee	DSH Payment	UPL Payments	Total Payments	Payments Less Fee	Change to Enacted
Butler	\$0	\$8,828	\$0	\$8,828	\$8,828	\$0
Kent	15,856,317	11,206,506	1,797,533	13,004,039	(2,852,278)	(588,593)
Memorial	5,964,882	11,729,575	1,685,245	13,414,820	7,449,938	3,311,785
Women and Infants	21,395,240	17,910,253	5,519,412	23,429,665	2,034,425	(1,440,997)
Care New England	\$43,216,439	\$40,855,162	\$9,002,190	\$49,857,352	\$6,640,912	\$1,282,195
Bradley	-	80,093	-	80,093	80,093	-
Miriam	21,030,207	9,904,560	1,930,313	11,834,873	(9,195,334)	(979,116)
Newport	5,254,610	4,576,028	673,075	5,249,103	(5,506)	(148,160)
Rhode Island Hospital	52,884,900	57,794,255	7,844,532	65,638,787	12,753,887	4,739,274
Lifespan	\$79,169,716	\$72,354,937	\$10,447,920	\$82,802,857	\$3,633,140	\$3,611,998
Roger Williams	7,823,575	6,645,068	803,371	7,448,439	(375,136)	1,248,246
St. Joseph	7,124,792	7,980,457	828,905	8,809,362	1,684,569	805,353
CharterCARE	\$14,948,367	\$14,625,525	\$1,632,276	\$16,257,801	\$1,309,433	\$2,053,599
Landmark	5,557,229	3,716,768	1,067,075	4,783,843	(773,387)	(53,798)
South County	4,106,371	2,989,825	253,116	3,242,941	(863,430)	277,110
Westerly	2,607,236	2,227,206	169,418	2,396,624	(210,611)	(154,239)
Rehabilitation Hospital	-	-	59,354	59,354	59,354	3,077
Other	\$12,270,836	\$8,933,799	\$1,548,963	\$10,482,762	(\$1,788,074)	\$72,151
Subtotal - Community Hospitals	\$149,605,359	136,769,422	22,631,349	159,400,771	9,795,412	7,019,942
Eleanor Slater Hospital	5,741,805	1,548,841	-	1,548,841	(4,192,964)	(460,110)
Total	\$155,347,164	\$138,318,263	\$22,631,349	\$160,949,612	\$5,602,448	\$6,559,832

Inpatient and Outpatient Rate Freeze

The Budget suspends the scheduled rate increase for inpatient and outpatient hospital services in both the fee-for-service and managed care environments for the second consecutive year.

Typically, the base price for hospital services is annually adjusted for trends in a nationally recognized price index. For FY2015, however, this adjustment is suspended as it was in FY2014. Therefore, for the third year, charges for hospital services are limited to the rates that were in effect in FY2013. The Budget includes savings of \$4.4 million (\$8.8 million all funds) for this initiative.

Medical Education Program

The Budget as Enacted includes \$1.0 million in new general revenue funding to establish a Medicaid graduate education program at academic medical centers that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is currently the only hospital that meets these criteria. The Budget does not include federal Medicaid matching funds for this program.

FY2014 Revised Budget

Expenditures by Fund	FY2013 Final	FY2014 Enacted	FY2014 Revised	Change to Enacted
General Revenue	\$3,216.0	\$3,359.8	\$3,352.4	(\$7.4)
Federal Funds	2,519.8	2,717.7	2,930.0	212.3
Restricted Receipts	198.4	255.0	278.7	23.7
Other Funds	1,775.0	1,880.6	1,909.1	28.5
Total	\$7,709.3	\$8,213.1	\$8,470.2	\$257.1

Expenditures by Function	FY2013 Final	FY2014 Enacted	FY2014 Revised	Change to Enacted
General Government	\$1,496.4	\$1,487.5	\$1,600.3	\$112.8
Human Services	3,047.5	3,305.8	3,423.8	118.0
Education	2,211.4	2,317.9	2,321.4	3.4
Public Safety	473.8	520.7	532.5	11.8
Natural Resources	72.2	120.9	107.6	(13.3)
Transportation	408.0	460.2	484.6	24.4
Total	\$7,709.3	\$8,213.1	\$8,470.2	\$257.1

FTE Authorization 15,076.4 15,118.3 15,100.3 (18.0)

The FY2014 Revised Budget totals \$8,470.2 million, of which \$3,352.4 million (39.6 percent) is general revenue. The Budget is \$7.4 million less in general revenue expenditures, as compared to the FY2014 Budget as Enacted. The general revenue surpluses are largely in Education, General Government, and Public Safety. These surpluses are offset by \$2.8 million in additional general revenue spending in OHHS and DHS to support the UHIP project, and an additional \$2.7 million to reflect one quarter of the state employee COLA impact in the current fiscal year. The \$212.3 million increase in federal funding is primarily attributable to increased enrollment in RIte Care, the managed care program for non-disabled adults, and based upon the results of the May 2014 Caseload Estimating Conference.

In terms of revenue changes, the results of the May 2014 Revenue Estimating Conference increased available revenues by \$29.4 million. This increase is largely due to an increase in anticipated sales and use taxes by \$27.6 million as compared to the enacted level. Additional revenues (\$4.6 million) are also anticipated due to an increase in the Hospital Licensing Fee from 5.246 percent to 5.418 percent of hospital revenues (less uncompensated care and certain other expenses, consistent with current law).

FY2014 Deficit Solution

FY2014 Enacted Budget Surplus	\$0.4
May REC/CEC	(9.0)
State Employee Contracts (COLA)	(2.7)
Projected Deficit (May)	(\$11.3)

Budget Initiatives

Personnel and Operating Savings	41.4
Hospital Licensing Fee & Other Revenue Changes	9.3
Other Changes	7.0
Shifts to Other Sources	1.5
Projected Ending Balance	\$59.2

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

Statewide Changes

State Employee COLA

\$2.7 million

On April 10, 2014, the Governor and the Department of Administration announced an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases. The current agreement is projected to increase general revenue expenditures by \$2.7 million in general revenue in FY2014 (reflecting one quarter). General revenue comprises approximately 50.0 percent of the total personnel costs.

DEPARTMENT OF ADMINISTRATION***Turnover******(\$1.2 million)***

The Budget includes general revenue savings of \$1.2 million reflecting anticipated turnover savings for the Department.

Commerce RI – I-195 Redevelopment Commission***\$674,679***

The Budget includes a reappropriation of \$674,679 in general revenue for the I-195 Redevelopment Commission. The FY2013 Budget as Enacted included \$3.9 million in general revenue, of which \$900,000 was appropriated to fund administrative, legal, and engineering costs to be incurred by the Commission and \$3.0 million to cover a shortfall in available bond funds authorized to complete the land transfer of the former federal I-195 highway land. The Commission did not expend the full appropriation leaving an unexpended balance of \$674,679. The reappropriated amount will be used for administrative functions.

Employee Classification Study***\$500,000***

The Budget adds \$500,000 in the FY2014 Revised Budget to fund an Employee Classification and an Employee Compensation Study. The study was one of the recommendations received from the recently completed personnel study performed by the Segal Company. The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The goal of the Employee Compensation Study is to review the State's current compensation system and to develop appropriate method to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions. A Request for Proposals to begin the study was issued in October 2013 and a bid opening was held on December 13, 2013.

Debt Service – General Obligation Bond Refunding***(\$288,394)***

The Budget decreases general revenue debt service payments by \$288,394, resulting from the 2014 Series A General Obligation Refunding that reduced debt service expenses for FY2014 and FY2015.

Office of Digital Excellence – “Code for America”***\$180,000***

The Budget includes \$180,000 in general revenue for the Office of Digital Excellence to obtain a consultant(s) to develop a knowledge portal for K-12 education as part of the “Code for America” initiative. The Department will obtain an equal amount from the private sector to match these funds. The purpose of the initiative is to develop a platform that will connect students, teachers, and parents to education experts in the public and private sectors, to disseminate lessons, videos, and online demonstrations.

HealthSource RI (federal funds)***\$24.1 million***

For FY2014, the Budget adds \$24.1 million for HealthSource RI, Rhode Island's health insurance exchange, due to increased federal funding and to reflect project delays that have pushed funding from FY2013 to FY2014.

General – Insurance Recovery Account (restricted receipts)***\$2.2 million***

The Budget increases the Restoration and Replacement Insurance Recovery restricted receipt account by \$2.2 million to reflect several repairs covered by insurance. This includes \$500,000 for water damage repairs at the Regan Hospital electrical system control room caused by a high pressure water line break, \$1.4 million to repair damage incurred by the Department of Environment Management from Hurricane Sandy, and \$489,000 for a claim to replace refrigeration units at the Department of Corrections.

Office of Management and Budget (restricted receipts) \$50,000

The Budget increases restricted receipts by \$50,000 to reflect the receipt of a grant from the Rhode Island Foundation. The grant will be used to purchase equipment and training for the Building Code Commissioner and State Fire Marshal office to support the E-permitting project.

Energy Resources – State Energy Plan (restricted receipts) \$50,000

The Budget increases restricted receipts by \$50,000 to correct an erroneous posting of Exxon Interest Earnings to the State Energy Plan. The mistake was discovered during the close-out of the State Energy Plan grant. This action shifts the \$50,000 posting from FY2015 to FY2014 to reconcile the Exxon Interest Earnings line item.

Bureau of Audits (other funds) (\$25,000)

The Budget decreases other funds by \$25,000 to reflect a change in how the Bureau of Audits will be reimbursed by the Rhode Island Emergency Management Agency (RIEMA) for audit services. RIEMA requested the Bureau's assistance in establishing better practices in tracking federal funds. The Budget Office originally planned on setting up a separate account for this service, but has since decided to show the expense as an expenditure credit in the Bureau of Audits.

DEPARTMENT OF BUSINESS REGULATION**Personnel and Operating Savings (\$125,000)**

The Budget reduces general revenue by \$125,000 to reflect personnel and operating savings.

Travel Expenses (restricted receipts) \$25,000

The Budget increases restricted receipts by \$25,000 for travel expenses related to an audit. These expenses will ultimately be reimbursed by the audited entity. The Budget includes the amendment.

DEPARTMENT OF LABOR AND TRAINING**Personnel and Operating (\$500,000)**

The Budget reduces general revenue by \$500,000 reflecting the projected surplus of program funds within the agency for FY2014. The majority of the savings occurs within the Workforce Development Services Program.

Asset Protection (RICAP) (\$290,000)

The Budget decreases \$290,000 in RICAP funds for Asset Protection projects, to reflect historical expenditures on these projects, including the delayed expenditures for the slate roof work.

DEPARTMENT OF REVENUE**Turnover Savings (\$695,810)**

The Budget reduces general revenue by \$695,810 to reflect personnel and operating savings.

DMV Legacy System Upgrades (\$400,000)

The Budget removes \$400,000 in general revenue from this program for upgrades to the current customer service legacy system at the DMV. No funds have been spent to date from this account.

Commissions and Prize Payments (other funds) \$89.8 million

The Budget increases other funds by \$89.8 million for Commissions and Prize payments that were not included in the FY2014 Budget as Enacted. The Office of Revenue Analysis estimates \$67.2 million for commissions and prize expenditures at Twin River and Newport Grand for FY2014 based on the results

of the November 2013 Revenue Estimating Conference. The Budget includes an additional \$22.5 million in other funds for traditional Lottery operations and prize payments.

DMV RIMS Project Delayed (other funds) ***(\$4.4 million)***

The Budget decreases federal funds by \$2.2 million and restricted receipts by \$2.2 million (\$4.4 million all funds) reflecting forecasted FY2015 expenditures for the implementation of the Rhode Island Motor Vehicle System (RIMS). The restricted receipts are generated from the \$1.50 customer surcharge from transactions at the Division of Motor Vehicles, which funds DMV debt service and project costs subsequent to the debt service obligation. These funds are being shifted from FY2014 fund to FY2015 due to delays in implementation of the system.

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

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

SECRETARY OF STATE

Turnover Savings ***(\$60,000)***

The Budget reduces general revenue funding by \$60,000 to reflect current year savings associated with personnel and operating savings. The Department has averaged 2.0 vacant FTE positions for the fiscal year.

OFFICE OF THE GENERAL TREASURER

Personnel and Operating ***(\$60,000)***

The Budget reduces general revenue funding within the Office of the General Treasurer by \$60,000 for revised personnel and operating savings estimates.

Unclaimed Property (restricted receipts) ***(\$733,803)***

The Budget decreases \$733,803 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 2014 Revenue Estimating Conference.

Crime Victims Compensation Program (restricted receipts) ***\$250,000***

The Budget adds \$250,000 in restricted receipts to reflect a higher volume of claims payments than originally projected in the FY2014 Budget. These restricted receipts originate from court ordered restitution payments.

BOARD OF ELECTIONS

Personnel and Operating ***(\$21,511)***

The Budget reduces general revenue funding within the Board of Elections by \$21,511 to account for personnel and operating savings based on the third quarter report.

OFFICE OF THE GOVERNOR

Personnel and Operating Savings ***(\$250,000)***

The Budget reduces general revenue by \$250,000 to reflect personnel and operating savings.

Federal Liaison **(\$35,000)**

The Budget removes \$35,000 for a contract to provide services to the Governor as his federal liaison.

OFFICE OF HEALTH AND HUMAN SERVICES**Caseload Estimating Conference – Medical Assistance** **\$9.0 million**

The May 2014 Caseload Estimating Conference adopted medical assistance expenditures for FY2014 of \$823.3 million in general revenue (\$1.8 billion all funds). General revenue expenditures are expected to be \$9.0 million more than previously adopted levels, primarily due to increased enrollment in RItE Care, the managed care program for non-disabled adults.

Enrollment in RItE Care has increased due to marketing and outreach efforts associated with the launch of the State's health benefits exchange, to fewer than anticipated RItE Care parents being removed from the program upon the reduction in the program's income eligibility criteria, and to the planned deferral of eligibility re-determinations for Medicaid beneficiaries.

Federal funds increase by \$95.0 million, primarily due to higher than anticipated enrollment by those newly eligible for Medicaid under the Affordable Care Act.

Adjustment to Children's Health Account **(\$1.5 million)**

The FY2014 Budget includes a one-time adjustment of \$1.5 million to correct a previous budget's omission of the transfer of these funds from the children's health restricted receipt account to general revenue.

Affordable Care Act Transition Fund **\$1.0 million**

The Budget reduces the Affordable Care Act transition fund from \$2.0 million to \$1.0 million. This fund was established to minimize any potential service gaps experienced by those transitioning to Medicaid expansion or to the Exchange.

Shift HIV/AIDS Care Management to Federal Funds **(\$703,773)**

Costs for the care management of those with HIV/AIDS that are currently budgeted to Medicaid and state-only accounts are shifted to the Ryan White federally-funded program.

Unified Health Infrastructure Project (UHIP) **(\$281,488)**

Change orders and other unforeseen developments continue to impact OHHS' portion of UHIP costs. The Governor's recommended budget had increased UHIP general revenue funding by \$1.2 million. Due to continue volatility in both total project costs and project timeline, the final budget reduces funding in FY2014 by \$281,488.

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

Administrative Surplus **(\$204,712)**

The Budget recognizes a surplus in the Office's personnel appropriation due to delays in hiring. General revenue is reduced by \$204,712.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES***Federal Foster Care and Adoption Fund Shift*** ***(\$88,751)***

The Budget shifts approximately \$90,000 in general revenue expenditures to other, unexpended fund sources associated with two federal grants. These grants fund and seek to improve education and training on adoption, fund technical assistance related to the adoption of special needs children, and increase adoptive foster families recruitment.

Juvenile Corrections – Educational Costs ***(\$50,000)***

The Budget shifts approximately \$50,000 in general revenue expenditures from general revenue to unexpended federal grants used to provide career and technical training to adjudicated youth. This includes educational costs for youth within the juvenile corrections program. Given the declining census at the Rhode Island Training School (RITS), there are unspent funds from federal grants intended to support educational programming at the RITS. This shift transfers unspent federal funds to offset the cost of educational programming at the North American Family Institute (NAFI).

DEPARTMENT OF HEALTH***Available Restricted Receipts*** ***(\$500,000)***

The Budget shifts \$500,000 in costs associated with the Office of the Medical Examiner from general revenues to unexpended restricted receipts. This shift is consistent with current practice within the Department as 2.0 FTE positions within DOH have already been shifted to this restricted receipt account.

Community Service Objective – Cancer Council ***(\$60,116)***

The Budget eliminates \$60,116 in unspent general revenue. Funding awarded in the FY2014 Enacted Budget to the Cancer Council has not been allocated as the appropriate documentation required to receive reimbursement has not been received.

American College of Obstetricians and Gynecologists Grant ***\$24,559***

Based upon revised grant awards, \$24,559 in additional general revenues are available for FY2014 as a departmental receipt to improve influenza and other vaccination coverage to pregnant women. These funds were erroneously omitted during the May 2014 Revenue Estimating Conference.

DEPARTMENT OF HUMAN SERVICES***Unified Health Infrastructure Project*** ***\$1.9 million***

The revised budget adds approximately \$1.9 million in general revenue (\$4.3 million all funds) for the Department's portion of technology costs associated with the United Health Infrastructure Project (UHIP). A collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, it will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface.

Veterans' Home – Personnel Changes ***(\$1.1 million)***

The Budget includes \$1.5 million in additional turnover savings at the Veterans' Home based upon current staffing trends. These savings are offset by \$348,000 for additional overtime as overtime costs were underfunded in FY2013 and FY2014 as the Home unable to achieve savings from planned efficiencies.

Personnel and Operating Savings ***(\$879,450)***

The Budget recognizes approximately \$880,000 in additional general revenue (\$1.3 million all funds) due to personnel and operating savings in FY2014 based on the Department and the State Budget Office third

quarter reports. Personnel savings are primarily attributable to delays in hiring and turnover at the Veterans' Home and operating savings occur within the Veterans' Affairs program.

RI Works and SNAP Penalties **\$258,576**

The Budget adds \$258,576 in general revenue for two federal penalties levied against the Department, which includes \$154,718 for the FY2011 and FY2012 Supplemental Nutrition Assistance Program (SNAP) penalties and \$103,858 for a the interest accrued on a FY2003 Rhode Island Works penalty as the Department attempted to appeal the penalty, but was unsuccessful. The penalties were levied against the State due to the Department's excessive error rates in both programs, which is a measure of the accuracy of benefits authorized. Of note, the Department is anticipated to receive a third penalty, the amount of which is presently unknown.

RIPAE Transfer of Restricted Receipts **(\$174,484)**

The Budget reduces general revenue by \$174,484 and increases restricted receipts by \$64,484 for grants and benefits for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program. The Department has spent less than what was anticipated, and indicates that there are enough funds within the restricted receipt account to offset the additional costs. There is no impact on program participants.

Caseload Estimating Conference – Cash Assistance **(\$162,598)**

The May 2014 Caseload Estimating Conference adopted total cash assistance expenditures of \$29.8 million in general revenue (\$105.5 million all funds). General revenue expenditures are expected to be \$162,598 less than the Governor (\$3.0 million all funds). This is primarily attributable to lower per person cost, even though the May 2014 conferees adopted a slightly higher total number of SSI persons as compared to the November 2013 projection.

Other Fund Changes (federal funds and restricted receipts) **\$4.0 million**

The Budget decreases restricted receipts by \$4.4 million and increases federal funds by approximately \$345,802 in FY2014. This includes the following changes to correct for a number of omissions in the Governor's budget:

- A reduction of \$4.4 million to adjust for federal funds associated with the Weatherization Assistance Program. These funds, from a FY2013 award, were erroneously included in the Governor's budget and are removed.
- Increases federal funds by \$579,431 to accommodate payments made through the Community Services Block Grant for expenses incurred in FY2013, which are used to support a number of community action programs throughout the State.
- Reduces federal funds by \$408,414 associated with Veterans' Cemetery maintenance, which was erroneously included twice in the Governor's budget.
- Increases federal funds by \$174,785 within the Food Stamp Employment and Training Program to correct for an omission in the Governor's budget.

Veterans' Home – New Construction (other funds) **\$5.3 million**

The Budget includes \$5.3 million in general obligation bond funding to begin construction of a new Veterans' Home complex, which is part of a \$94.0 million voter-approved bond issue, \$6.0 million of which have been issued.

BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

RICLAS Group Homes and Eleanor Slater Hospital – Overtime **\$1.3 million**

The Budget provides an additional \$1.3 million for overtime at RICLAS group homes and Eleanor Slater Hospital.

Eleanor Slater License Fee***\$154,739***

The Budget raises the hospital license fee from 5.246 percent to 5.418 percent, increasing the license fee paid by Eleanor Slater Hospital by \$154,739 to \$2.7 million (\$5.5 million all funds). The license fee is levied on 2013 Eleanor Slater Hospital revenue of \$100.7 million.

Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments, which are made to hospitals that deliver care to a large number of uninsured and Medicaid individuals. The Governor's recommended budget included a 5.246 percent hospital licensing fee and DSH payments to hospitals of \$129.2 million. The revised Budget includes a 5.418 percent license fee and DSH payments to hospitals of \$138.3 million, based upon an updated federal DSH cap.

Other Fund Changes (RICAP)***(\$505,874)***

The Budget includes a net decrease of \$505,874 in Rhode Island Capital Plan (RICAP) funding in FY2014 based on current expenditures and projections on various projects. Funding for residential development for the developmentally disabled is reduced by \$218,874 and funding for the renovation of the Regan Medical Center is reduced by \$287,000.

GOVERNOR'S COMMISSION ON DISABILITIES***Other Fund Changes (RICAP)******(\$407,000)***

The Budget eliminates \$407,000 in RICAP funds for handicapped accessibility projects to reflect revised project timelines and expenditure projections.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION***School Housing Aid******(\$2.3 million)***

Based upon estimates provided by the Department, the Budget reduces school housing aid by \$2.3 million as compared to the FY2014 Budget as Enacted due to projects not being completed on schedule.

Teacher Retirement***(\$1.1 million)***

The Budget reduces the state share for teacher retirement by \$1.1 million, based on payrolls reported through March 31, 2014. The State pays 40.0 percent of the cost of the employer's share of required pension contributions. The FY2014 Budget as Enacted employer contribution was based on actual FY2012 wages and projected FY2013 wages, as reported by the Retirement System, and then inflated by a 2.8 percent growth rate. The revised estimate is based on actual FY2013 wages, adjusted with a 2.0 percent growth rate. The growth rate from FY2012 to FY2013 was 1.5 percent.

Community Service Grants***(\$500,000)***

The Budget shifts the \$500,000 grant to the Woonsocket School Department to convert to a full-day kindergarten program from FY2014 to FY2015.

Group Homes***\$60,000***

The Budget increases group home aid by \$60,000 to reflect an increase of 4 beds in Exeter-West Greenwich, providing total funding of \$7.2 million group home aid in FY2014.

Textbook Reimbursement***(\$44,948)***

The Budget reduces funding by \$44,948, to \$195,052, to reflect actual reimbursements to districts through the Textbook Reimbursement Program. Through this program, the State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

Statewide Transportation Program (restricted receipts) \$600,000

This adjustment corrects an error in the enacted appropriation for the statewide transportation contract to reflect an increase in the number of schools being serviced. The per-pupil cost remains the same. The statewide transportation contract is fully funded with reimbursements from the participating school districts.

HIGHER EDUCATION**Debt Service Refunding Savings (\$254,164)**

The Budget includes \$254,164 additional general revenue which reflects savings realized from 2014 Series A general obligation bonds refinancing.

Other Fund Changes (RICAP) (\$1.6 million)

- **Rhode Island College – Infrastructure Modernization:** The Budget decreases RICAP expenditures by \$1.9 million in FY2014 to reflect the expected expenditures in this fiscal year to modernize and rehabilitate campus infrastructure. These funds are part of an \$18.4 million project to replace steam lines, water mains, electrical transformers, electrical distribution systems and network voice and data telecommunication systems. These funds will be shifted to FY2015.
- **URI – Biotechnology Center:** The Budget increases RICAP expenditures by \$270,220 in FY2014 to reinstate the FY2013 carryover for expenditures related to the construction of a new Biotechnology Center.
- **URI – Chemistry Building:** The Budget increases RICAP expenditures by \$21,300 in FY2014 to reflect the expected expenditures in this fiscal year related to the ongoing construction of a new Chemistry Building.

HISTORICAL PRESERVATION AND HERITAGE COMMISSION**Revolving Loan Fund – Interest Revenue (restricted receipts) \$37,500**

The Budget recognizes additional interest revenue from the Commission's State Preservation Grants program. This program provides matching funds to renovate and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures. Since 2002, two bond issuances, one in 2002 and one in 2006 have provided a total of \$6.0 million in funding for 108 projects. Past projects have included the Newport Art Museum, Southeast Lighthouse on Block Island, and the Dr. Reuben Mason House in Chepachet.

Eisenhower House Renovation (RICAP) (\$320,000)

The Budget shifts \$320,000 in RICAP funds from FY2014 to FY2015 for the renovation of the Eisenhower House. Total project costs have risen over 25 percent from the FY2014 Budget as Enacted, from \$1.8 million to \$2.3 million. Increased costs are due to updated State requirements such as those requiring apprenticeships and minority businesses, to refinements to mechanical, electrical and plumbing improvements, and to additional expenses incurred by the Commission.

Renovations began in early 2014 are scheduled to be completed by Spring 2015. The House will be closed during renovations, including the entire 2014 wedding season, but will reopen in time for the 2015 season.

DEPARTMENT OF ATTORNEY GENERAL**Google Forfeiture Funds (restricted receipts) \$11.0 million**

The Budget includes \$15.0 million in Google forfeiture funds in FY2014 for IT projects and acquisition of office space, an increase of \$11.0 million over the FY2014 Budget as Enacted. The FY2014 enacted

funds were to support IT projects, and the Budget increases funding for building acquisitions and repairs and computer equipment.

DCYF Lawsuit **(\$118,000)**

The Budget removes \$118,000 in general revenue that had been allocated for a lawsuit that was dismissed by a federal Court judge on April 4, 2014. The lawsuit had alleged that the Department of Children, Youth, and Families (DCYF) had failed to provide adequate foster maintenance payments and mandated levels of care and it had not addressed high levels of maltreatment.

Turnover **(\$100,000)**

The Budget reduces general revenue funding by \$100,000 for the Department of the Attorney General based on estimated expenditures outlined in the Department's third quarter financial report.

DEPARTMENT OF CORRECTIONS

Correctional Officer Training **(\$749,522)**

The Budget eliminates funding for the FY2014 Correctional Officer training class due to concerns regarding the hiring process expressed by the U.S. Department of Justice.

Analyst's Note: On February 10, 2014, the DOJ announced that a lawsuit has been filed alleging that the Department's recruiting practices adversely affect minority candidates. As part of the hiring process for entry level Correctional Officers, DOC screens applicants using a written and video examination. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

Medicaid Savings under ACA **(\$160,000)**

The Budget includes half-year savings of \$160,000 with the expansion of Medicaid eligibility as of January 1, 2014. Under the Affordable Care Act (ACA), more inmates are eligible for Medicaid coverage for in-hospital treatment.

WINFACTS (federal funds) **\$43,079**

The Budget increases federal funds by \$43,079 to reflect the expenditure of the balance of funds available for the WINFACTS Probation and Parole Re-write Program. The WINFACTS system provides all offender information that RIDOC has to outside law enforcement agencies. The new WINFACTS will also include enhancements of Probation and Parole Data. CMARS shows outside law enforcement where Probation and Parole offenders are living, where they lived before, and what charges they have. It also provides this information about sex offenders.

JUDICIARY

New Family Court Grants (federal funds) **\$346,823**

The Budget increases federal funding for the Judiciary by \$346,843. The increase includes \$183,334 for the Family Treatment Drug Court Grant; \$125,489 for the Juvenile Justice Mental Health Court Grant; and, \$38,000 for the Juvenile Justice and Victims of Crimes Grant.

MILITARY STAFF

Personnel and Operating **(\$75,000)**

The Budget reduces personnel and operating funding by \$75,000 at Military Staff based year-to-date spending as presented in the Agency's third quarter financial report.

DEPARTMENT OF PUBLIC SAFETY***Turnover – Sheriffs Division*** ***(\$330,000)***

The Budget reduces personnel and operating funding by \$330,000 in within the Sheriffs Division at the Department of Public Safety based year-to-date spending.

Pay-Go Pensions ***(\$33,000)***

The Budget removes \$33,000 in pay-go pensions based on an updated census of Rhode Island State Police retirees.

Federal Funds Changes ***\$295,913***

The Budget increases federal funding for the Department by \$295,913. The increase includes \$240,000 for a new grant award in the State Fire Marshal Bomb Squad program; \$35,000 of this grant is to be used for the purchase of bomb squad equipment only. The amendment also includes \$90,913 for a new grant award in the State Police Program for the Neighborhood Community Investment Program (NCIP).

OFFICE OF THE PUBLIC DEFENDER***Turnover and Operating*** ***(\$25,000)***

The Budget reduces personnel and operating expenditures by \$25,000 at the Office of the Public Defender based on year-to-date spending as presented in the Office's third quarter financial report.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT***Department of Transportation Recreational Projects (other funds)*** ***\$521,077***

The Budget provides \$521,077 in other funds transferred from the Department of Transportation. The transfer is from federal Intermodal Surface Transportation Efficiency Act funds for the maintenance of state trails. The additional expenses are associated with replacing the Lewis City Bridge in the Arcadia Management Area and safety improvements at the Galilee Ferry Terminal.

Operating Savings ***(\$264,277)***

The Budget decreases operating costs to reflect savings in property taxes, due to the recent revaluation and freeze in the Providences commercial property tax rate (\$65,160), and in operating savings, such as maintenance costs, landscaping supplies and fuel and electricity costs to bring expenditures in line with past two-year actuals (\$147,474).

Statewide Adjustments ***(\$157,940)***

The Budget includes statewide savings in medical health insurance for the following changes: eliminates coverage for former spouses of state employees; shifts post-65 retirees to a Medicare for health insurance for the second half of the year; and a 3.85 percent reduction in medical insurance costs.

Other Savings ***(\$118,048)***

The Budget decreases general revenues due to reductions in Special Projects (\$40,500) and higher vacancy rates (\$72,548).

Seasonal Recreational Positions ***\$53,769***

The Budget includes \$53,769 in additional funds for Seasonal Recreation positions due to the increase in minimum wage from \$7.75 per hour to \$8.00 per hour which takes place January 1, 2014.

Other Fund Changes (federal funds) ***\$1.3 million***

The Budget includes an increase in federal funding of \$1.3 million, including the following changes.

- An increase of \$600,000 for Non-Point Source Pollution that will be used to pay cities and towns under the Performance Partnership Grant awards.
- An increase of \$320,000 for the Enforcement of Pesticide Regulations grant to account for unexpended funds from FY2009, through FY2012.
- An increase of \$220,000 for the Superfund National Priority list to pay expenses associated with the interim remedial action at the Centerdale Manor in North Providence.
- An increase of \$76,400 for the Village Planning Challenge Grant to develop guidance and training for rural and suburban towns to encourage village growth and stimulate economic development. This grant was excluded from the Governor’s revised recommendation in error.
- An increase of \$51,300 for the Forest Legacy Administration to protect “working forests”, those that protect water quality, provide habitat, forest products, opportunities for recreation and other public benefits.
- An increase of \$20,000 for a wastewater study under the Flood Disaster Recovery Grant.

Other Funds Changes (RICAP)

(\$6.3 million)

The Budget decreases RICAP funds by \$6.3 million for the following projects:

- A shift of \$2.4 million from FY2014 to FY2015 for remediation and renovations at Rocky Point in Warwick.
- A shift of \$2.0 million from FY2014 into FY2015 and FY2016 for Fort Adams Sailing Improvements to better reflect the current project timeline.
- A shift of \$900,000 from FY2014 to FY2015 for renovations and upgrades at the Galilee Piers to better reflect the revised project timeline and costs.
- A reduction of \$400,000 for the Fort Adams Rehabilitation project to reflect the revised project timeline due to the Department’s focus on sailing improvements at the park.
- A shift of \$309,170 from FY2014 to FY2015 for the Blackstone Valley Bike Path to better reflect the revised project timeline.
- A decrease of \$171,013 to reflect a delay in the construction of the Natural Resources Offices/Visitors Center in the Arcadia Management Area due to other department priorities.
- A decrease of \$95,042 for Newport Piers to reflect the current project timeline and estimate project cost.

COASTAL RESOURCES MANAGEMENT COUNCIL

Other Fund Changes (federal funds)

(\$119,077)

- The Budget decreases by \$147,547 to reflect a revised expenditure level due to the completion of the Fish Passage Restoration project.
- The Budget shifts \$28,470 in federal Rhode Island Aquatic Invasive Species grant funds from FY2015 to FY2014 due to a revision of the grant period from three to five years to one year. The funds will not be available after June 30, 2014; however, the overall grant award of \$110,530 has not changed.

DEPARTMENT OF TRANSPORTATION**Other Funds – Gas Tax Adjustment** **\$601,105**

The Budget includes an increase in gas tax funding of \$601,105. An estimate provided by the Department of Revenue increases the per-penny yield of the gas tax from \$4,168,974 to \$4,196,611, an increase of \$27,637 per penny. RIDOT receives 21.75 cents of the 33.0 cent gas tax, resulting in a revenue gain of \$601,105 in FY2014.

Other Funds Changes (RICAP) **(\$2.0 million)**

The Budget decreases Rhode Island Capital Plan (RICAP) funds by \$2.0 million in FY2014 for the following projects:

- **Maintenance Facility Improvements:** The Budget decreases RICAP funds of \$300,000 in FY2014 for maintenance facility improvements and shifts \$100,000 of these funds to FY2015 to reflect the expected expenditures.
- **Portsmouth Facility:** The Budget decreases RICAP funds by \$400,000 in FY2014 to reflect the expected expenditures on the construction of a new maintenance facility in Portsmouth for the fiscal year. The funding will be shifted to FY2015.
- **Cooperative Maintenance Facility:** The Budget decreases RICAP funds by \$300,000 in FY2014 for the conversion of RIPTA's Melrose Street facility into a cooperative maintenance facility to repair RIDOT's heavy-duty vehicles. At this time the project has not begun.
- **Salt Storage:** The Budget decreases RICAP expenditures by \$1.0 million in FY2014 to reflect the expected expenditures on the Dillon's Corner salt storage shed in Narragansett for the fiscal year.

Federal Funds Changes **\$5.9 million**

- The Budget includes an increase of \$3.4 million in Federal Grant funding in FY2014 to reflect new and additional federal National Highway Traffic Safety Administration (NHTSA) grant awards and \$2.5 million in Congestion Mitigation and Air Quality Improvement (CMAQ) Program Funds.

Transit CMAQ Funds	\$2,500,000
MAP 21 - 405 Funds	2,000,000
Alcohol Impaired Driving Countermeasures	350,000
Child Safety and Booster Seat Incentive	350,000
Motorcyclist Safety Grant	100,000
Primary Seatbelt Law	600,000
▪ Total Increase in NHTSA Grants	\$5,900,000

Other Fund Changes **\$1.7 million**

- The Budget adds \$1.2 million in other funds that were reimbursed to the State from expenditures related to Winter Storm Nemo in FY2013. The reimbursement was deposited into the Intermodal Surface Transportation fund, since the response operations were paid for in the FY2013 gasoline tax budget. The Budget also includes \$433,795 in other funds that were carried over from after the budget closing in FY2013.

Highway Projects (federal funds) **\$37.4 million**

The Budget increases funding by \$37.4 million due to revisions in projected expenditures in federal Highway Projects funds.



ARTICLES

Articles

Article 1: Relating to Making Appropriations in Support of FY2015

Article 1 outlines the appropriation amounts from all fund sources for FY2015. In most cases, the appropriations are by fund source at the program level in each department or agency. The Article also includes the FTE position authorizations for each department or agency.

Other sections of the Article outline the use of contingency funds; makes out-year appropriation changes for projects funded with Rhode Island Capital Plan Funds; sets expenditure limits for internal service funds; and provides for necessary disbursements of Lottery, Temporary Disability Insurance, and Employment Security.

This Article designates the airport impact aid formula; freezes tuition charges and student financial aid at the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island; and provides that \$2.6 million of Rhode Island Higher Education Assistance Authority (RIHEAA) guaranty agency reserve funds shall be used for need- based RIHEAA scholarships and grants, Consistent with the FY2014 Budget as Enacted, the Article also requires the RI Housing and Mortgage Finance Corporation (RI Housing) provide resources to the Neighborhood Opportunities Program.

Appropriations: Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts and other funds for the fiscal year ending June 30, 2015. The amounts identified for federal funds, restricted receipts and other funds shall be made available pursuant to section 35-4-22 and Chapter 41 of Title 42 of the Rhode Island General Laws.

	FY2014 Enacted	FY2015 Enacted	Change to Enacted
General Revenue	\$3,359.8	\$3,445.2	\$85.4
Federal Funds	2,717.7	3,086.5	368.8
Restricted Receipts	255.0	283.1	28.1
Other Funds	1,880.6	1,965.4	84.8
Total	\$8,213.1	\$8,780.2	\$567.1
FTE Authorization	15,118.3	15,086.0	(32.3)

\$ 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), and allows the appropriation of Lottery Division funds for award winnings during FY2015.

Article 1 authorizes the State Controller to establish 12 specific internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this Article.

Internal Service Account	FY2014 Enacted¹	FY2015 Enacted
State Assessed Fringe Benefit	\$33,644,675	\$37,123,794
Administration Central Utilities	20,253,728	14,244,902
State Central Mail	5,336,633	5,617,173
State Telecommunications	4,084,660	4,080,029
State Automotive Fleet	13,668,556	13,733,063
Surplus Property	2,500	2,500
Health Insurance	250,127,757	250,127,757
Other Post-Employment Benefits	64,572,028	63,934,483
Capital Police	872,233	1,060,301
Corrections Central Distribution Center	6,701,947	6,739,558
Correctional Industries	8,341,086	7,704,793
Secretary of State Records Center	869,457	882,436
Total	\$408,475,260	\$405,250,789

¹FY2014 figures included for comparison purposes. They are not included in the FY2015 Article 1, Section 5.

NEIGHBORHOOD OPPORTUNITIES PROGRAM

Article 1 includes language requiring RI Housing provide an unspecified appropriation in FY2015 to support the Neighborhood Opportunities Program (NOP). The Article requires RI Housing to issue a report detailing the funding provided to NOP and the number of housing units provided to the Director of the Department of Administration, the Chair of the Housing Resources Commission, the Chairs of the House and Senate Finance Committees, and to the State Budget Officer.

MORTGAGE FRAUD SETTLEMENT TRANSFER

The Budget requires the Office of the Attorney General transfer \$600,000 from the Mortgage Fraud Settlement to the Housing Resources Commission restricted receipts account. This account will be used for the Lead Hazard Reduction Abatement Program, which provides loans and grants to assist homeowners to reduce or eliminate lead paint hazards.

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 the number of authorized FTE positions shown, in any pay period. The Budget authorizes 32.3 FTE positions less than the enacted level, including the following changes:

Function	FY2014 Enacted	FY2014 Final	Change to Enacted	FY2015 Enacted	Change to Enacted
General Government	2,276.7	2,294.7	18.0	2,298.7	22.0
Human Services	3,747.8	3,743.8	(4.0)	3,744.0	(3.8)
Education	3,883.4	3,882.4	(1.0)	3,890.3	6.9
Public Safety	3,233.6	3,222.6	(11.0)	3,221.6	(12.0)
Natural Resources	428.0	428.0	0.0	428.0	0.0
Transportation	772.6	752.6	(20.0)	752.6	(20.0)
Subtotal	14,342.1	14,439.0	(18.0)	14,335.2	(6.9)
Higher Ed. Sponsored Research	776.2	776.2	0.0	750.8	(25.4)
Total FTE Positions	15,118.3	15,100.3	(18.0)	15,086.0	(32.3)

CAPITAL APPROPRIATIONS

Article 1 appropriates the following amounts from the Rhode Island Capital Plan (RICAP) Fund not otherwise appropriated to be expended during the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018. These amounts supersede appropriations provided for FY2015 within the FY2014 Budget as Enacted.

Agency	Project	FY2016	FY2017	FY2018	FY2019
DOA	Big River Management Area	\$120,000	\$120,000	\$120,000	\$120,000
DOA	Cannon Building	150,000	150,000	300,000	300,000
DOA	Environmental Compliance	200,000	200,000	200,000	200,000
DOA	Fire Code Compliance - State Buildings	500,000	500,000	500,000	500,000
DOA	Old State House	800,000	800,000	-	-
DOA	Pastore Center Building Demolition	1,025,000	975,000	1,200,000	-
DOA	Pastore Center - Fire Code Compliance	500,000	500,000	500,000	500,000
DOA	Pastore Medical Center Rehab	2,300,000	650,000	250,000	50,000
DOA	Utilities Upgrades	1,400,000	-	-	-
DOA	Statehouse Renovations	3,000,000	4,000,000	2,400,000	1,000,000
DOA	State Office Building	600,000	2,800,000	-	-
DOA	Washington County Gov't Center	475,000	350,000	350,000	-
DOA	William Powers Admin. Building	180,000	925,000	440,000	500,000
DOA	Zambarano Utilities and Infrastructure	550,000	1,000,000	750,000	250,000
DLT	Center General Asset Protection	1,500,000	1,200,000	1,000,000	-
DHS	Blind Vending Facilities	165,000	165,000	165,000	165,000
BHDDH	Eleanor Slater Hospital Consolidation	-	-	10,000,000	10,000,000
RIDE	Davies School Asset Protection	250,000	250,000	250,000	250,000
RIDE	Met School Asset Protection	100,000	100,000	100,000	100,000
RIDE	Warwick Career and Technical	950,000	600,000	-	-
RIDE	Woonsocket Career and Technical	808,088	300,000	-	-
Higher Ed	Asset Protection - CCRI	2,184,100	2,232,100	2,299,063	2,368,035
Higher Ed	Asset Protection - RIC	3,080,400	3,357,700	3,458,431	3,562,184
Higher Ed	Asset Protection - URI	5,482,900	7,856,000	8,030,000	8,200,000
Higher Ed	CCRI Knight Campus Renewal	2,000,000	5,000,000	11,000,000	-
Higher Ed	RIC Infrastructure Modernization	2,000,000	3,000,000	3,500,000	2,000,000
AG	Building Renovations and Repairs	300,000	300,000	400,000	400,000
DOC	Asset Protection	4,020,000	4,000,000	4,000,000	4,990,000
Judiciary	Judicial Complexes Asset Protection	850,000	875,000	950,000	950,000
Judiciary	Judicial Complexes HVAC	750,000	900,000	900,000	900,000
Military Staff	Armory of Mounted Commands	357,500	550,000	-	-
Military Staff	Emergency Management Building	1,500,000	2,250,000	-	-
Military Staff	Asset Protection	700,000	700,000	700,000	700,000
DEM	Dam Repair	750,000	1,000,000	1,550,000	1,500,000
DEM	Fort Adams Rehabilitation	125,000	-	-	-
DEM	Fort Adams Sailing Improvements	1,400,000	-	-	-
DEM	Newport Piers	137,500	137,500	-	-
DEM	Recreation Facility Improvements	2,850,000	2,250,000	1,500,000	500,000
DOT	Highway Projects Match Plan	28,200,000	27,200,000	27,200,000	27,200,000
DOT	Maintenance Facilities - Asset Protection	500,000	500,000	500,000	500,000
DOT	Salt Storage Facilities	1,000,000	1,000,000	1,000,000	1,000,000
Total		\$73,760,488	\$78,693,300	\$85,512,494	\$68,705,219

Any unexpended or unencumbered funds from the RICAP Fund project appropriations may be reappropriated to FY2016 and made available for the same purpose.

Article 2: Relating to Municipal Aid

This Article amends the Municipal Incentive Aid Program that is administered and managed by the Division of Municipal Finance within the Department of Revenue. The purpose of this program is to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities by providing additional state aid. For FY2015 and FY2016, \$5.0 million is appropriated and distributed each year to municipalities that comply with certain requirements and provisions. Current law would have required \$10.0 million in each year. The Article maintains Municipal Incentive Aid funding for 3 years at the \$5.0 million level; however, a new provision will allow the program to continue subject to appropriation.

The Article allows communities to contribute to its locally administered pension plan at the required funding payment (formerly referred to as annually Required Contributions or “ARC”) in compliance with the municipality’ adopted FIP(s) and the funding guidelines established by the pension study commission; and the FIPs are approved by the plan sponsor and the local governing body.

The Article also changes the distribution of Municipal Incentive Aid to allow that if a municipality does not meet the eligibility requirements to receive an appropriation in any fiscal year, those funds are reappropriated into the next year. If that community becomes eligible in the second year, then it will receive the appropriations from both years; if not, the funds will be distributed among all other eligible communities.

The Article amends the distribution of PILOT aid so that funds will only be disbursed after the receipt of a municipality’s assessment data or July 31, whichever is later, beginning in FY2015.

Article 3: Relating to Restricted Receipt Accounts

This Article creates three new restricted receipt accounts, including “HIV Care Grant Drug Rebates” in the Office of Health and Human Services (OHHS) and the “Donations – New Veterans’ Home Construction” account in the Department of Human Services (DHS), to be used for gifts received by the Director of Human Services on behalf of the Veterans’ Home to help support construction of the new facility.

The Article shifts the “Organ Transplant Fund” account from DHS to OHHS to properly reflect where the program was transferred in FY2013 and adds the Job Development Assessment (JDA) the list of exemptions associated with Job Development Fund. The JDA is used to support core service expenses in the Unemployment Insurance and Employment Services programs at the Department of Labor and Training (DLT).

This Article also creates the Housing Resources Commission Restricted Account, which exempts revenue associated with the dedicated portion of the real estate conveyance tax. These funds, estimated to be \$2.8 million in FY2015, will be dedicated to the Housing Resources Commission and will be used for the housing rental subsidy program, lead abatement activities, homelessness prevention assistance, and housing retention assistance.

These accounts are exempted from the 10.0 percent indirect cost recovery provision.

Article 4: Relating to Debt Management Act Joint Resolutions (Kushners)

The Budget authorizes \$170.5 million in approved debt authorizations and authorizes the Board of Education and the Department of Administration to enter into a multi-year lease with the developer of the South Street Landing property.

Garrahy Courthouse Parking Project: Authorizes the State to sell or lease the current site of the Garrahy Courthouse surface parking lot to the Rhode Island Convention Center Authority and authorizes the Authority to issue an amount not to exceed \$45.0 million to fund the design and construction of a parking

garage and retail space. The Authority is prohibited from issuing any of this debt until such time the I-195 Redevelopment Commission certifies to the State and the Authority that the Commission has three signed purchase and sales agreements on parcels within the I-195 Redevelopment District, excluding parcels 6, 8, and 9. The Department of Administration may advance up to \$500,000 in RICAP funds for architectural and engineering work on the parking garage, which will be repaid to the State by the Authority upon the issuance of debt to construct the facility.

Rhode Island Airport Corporation Revenue Bonds: Authorizes the issuance of \$60.0 million in revenue bonds for various improvements at T.F. Green Airport and other state owned airports. At T.F. Green the projects include, but are not limited to, a de-icer management system, extension runway E-23, and an upgrade hangar 2. Other projects include improvements at the North Central, Quonset, and Newport airports.

Rhode Island Refunding Bond Authority (RIRBA)/Rhode Island Depositors Economic Protection Corporation (DEPCO): Authorizes the RIRBA to issue \$35.0 million to refund a portion of DEPCO's outstanding \$138.8 million 1992 Series B Special Obligation Refunding Bonds issued to defease the original bonds issued by DEPCO to repay depositors during the State's Banking and Credit Union crisis in 1991. DEPCO can no longer issue debt as the entity terminated upon the defeasance of its last bond in 1999. This action is projected to generate approximately \$1.5 million net proceeds that will be deposited into the State Sinking Fund. The State Sinking Fund and the Sinking Fund Commission shall have control and management of all sinking funds which are used for the redemption of any bonds or certificates of indebtedness issued by the state of Rhode Island.

Analyst's Note: RIRBA was originally created to refinance two series of General Obligation bond series at a lower interest rate. Staffing and operations were provided by the Office of the General Treasurer. Since the bonds issued by RIRBA have been paid in full, the program was eliminated in FY2011 and there are no sitting members of the Authority.

Tobacco Settlement Financing Corporation: Authorizes the Tobacco Settlement Financing Corporation to issue bonds and apply the net proceeds of \$20.0 million to the Tobacco Settlement Financing Trust. The Trust will make the following transfers:

- \$5.0 million to the State General Fund for a one-time additional PILOT payment.
- \$5.0 million to the Municipal Road and Bridge Revolving Fund.
- \$10.0 million to the Information Technology Investment Fund.

The Tobacco Settlement Financing Corporation was created in 1990 pursuant to RIGL 42-133-4 to finance the acquisition of the State's right, title and interest in the moneys due under the Tobacco Master Settlement Agreement, dated November 23, 1998.

Nursing Education Center: Authorizes the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property (also referred to as the South Street Power Station or Dynamo House) in Providence for use as a Nursing Education Center by the University of Rhode Island (URI) and Rhode Island College (RIC). The lease will run for an initial term of fifteen years, with a two-year extension option, beginning from the date the two schools take possession of their sections of the building, which is anticipated to be July 2016.

Summary of Estimated State Costs

	Annual	Total
Base Rent	\$1,855,000	\$34,641,000
Tenant Improvement Rent	2,491,000	25,000,000
Board of Education Operating Expense	1,689,000	25,335,000
Total Estimated Cost*	\$6,035,000	\$84,976,000

*does not include parking

- The Article authorizes the issuance of \$10.5 million in certificates of participation (COPs) over a ten-year period to support the acquisition of equipment needed to outfit the planned simulation labs.
- The Article also grants approval to fund the tenant improvements directly by the Board of Education if it is determined to be financially beneficial to do so (up to \$22.5 million over a 15-year term).
- The Article also contains a provision that the Board of Education will have an option to purchase the area that it leases for the Nursing Education Center at the end of lease year 6 and at the end of lease year 12.

Article 5: Relating to Capital Development Program

This Article submits a total of \$248.0 million in ballot referenda to Rhode Island voters for their approval. Proposed as four questions on the November 2014 ballot, the following projects are included:

November 2014 Bond Referenda

Higher Education Facilities - URI College of Engineering	\$125.0
Creative and Cultural Economy	\$35.0
Cultural Arts and the Economy Grant Program	
Trinity Repertory Company (Providence)	4.6
Rhode Island Philharmonic/Music School (East Providence)	2.4
Newport Performing Arts Center (Newport)	4.2
WaterFire Providence (Providence)	3.2
Westerly Land Trust/United Theater (Westerly)	2.4
Stadium Theater (Woonsocket)	2.1
AS220 (Providence)	2.1
Chorus of Westerly (Westerly)	1.1
2nd Story Theater (Warren)	1.1
Pool Fund (Matching Grants)	6.9
State Preservation Grants Program	5.0
Mass Transit Hub Infrastructure	\$35.0
Clean Water, Open Space and Healthy Communities	\$53.0
Clean Water Finance Agency - Clean Water	20.0
Roger Williams Park Zoo	15.0
Brownfield Remediation for Economic Development	5.0
Local Recreation Grants	4.0
Flood Prevention	3.0
Farmland Acquisition	3.0
Roger Williams Park	3.0
Total	\$248.0

\$ in millions.

Higher Education Facilities – URI College of Engineering

The Budget includes a general obligation bond referendum in November 2014 for \$125.0 million for a comprehensive overhaul of physical space dedicated to the Engineering programs at URI. Projects include the removal of five URI Engineering buildings (Crawford Hall, Gilbreth Hall, Kelly Hall, Kelly Annex, and Wales Hall), renovation to the Kirk Building, and construction of a new facility adjacent to the remaining buildings (Bliss Hall and Kirk Hall).

Creative and Cultural Economy

- Cultural Arts and the Economy Grant Program:** Article 5 creates a new State Cultural Arts and the Economy Grants Program and includes a \$30.0 million bond. The Rhode Island Council on the Arts (RISCA) will administer this new program, which will provide \$23.1 million in 1:1 matching grants to the following non-profit arts organizations for facility improvement, preservation and renovation. The remaining \$6.9 million will be a pool of 1:1 matching funds awarded by RISCA to other non-profit cultural organizations for capital improvements to both owned and leased facilities.

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 Reality 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

All contracts for projects included in this program entered into after November 6, 2014, are subject to prevailing wage requirements.

- State Preservation Grants Program:** Article 5 also recapitalizes the Historical Preservation and Heritage Commission's State Preservation Grants program with \$5.0 million in bond issuance. This program provides matching funds to renovate and improve public and nonprofit historic sites, museums, and cultural art centers located in historic structures. Since 2002, two bond issuances, one in 2002 and one in 2006 have provided a total of \$6.0 million in funding for 108 projects. Past projects have included the Newport Art Museum, Southeast Lighthouse on Block Island, and the Dr. Reuben Mason House in Chepachet. The Commission granted the last of these funds in 2007.

The State Preservation Grants Review Panel award grants based upon the project's historical and/or architectural significance, physical preservation needs, ability to serve the public and to attract support, and upon geographic distribution. Additionally, projects that are compatible with a local development plan within the city or town in which they are located are given priority.

Mass Transit Hub Infrastructure

The Budget includes a \$35.0 million general obligation bond authorization be placed on the November 2014 ballot, which will be used to fund major renovations and enhancements to mass transit hub infrastructure throughout the State. Funding would be used to reduce the volume of traffic at Kennedy Plaza by providing for multiple alternative public transportation hubs, including Kennedy Plaza, the

Providence Amtrak train station and near the Garrahy Courthouse, which is located near land being redeveloped following the relocation of I-195. The alternative transportation hubs were recommendations included in a Comprehensive Operational Analysis completed by the Public Transportation Authority.

Clean Water, Open Space, and Healthy Communities

This Article places a bond referendum for Clean Water, Open Space, and Healthy Communities initiatives on the November 2014 ballot. The referendum includes \$53.0 million to be allocated as follows:

- **Clean Water Finance Agency – Clean Water:** The referendum provides \$20.0 million to the Clean Water Finance Agency to finance water pollution abatement infrastructure projects through the Clean Water Revolving Fund. Low-interest, subsidized loans to local governments will be available through the Clean Water Revolving Fund. According to DEM, more than \$1.8 million in wastewater infrastructure projects are awaiting funding, including wastewater treatment upgrades, storm water improvements, and sewer overflow abatement projects.
- **Roger Williams Park Zoo:** The referendum provides \$15.0 million to for three projects at the Roger Williams Park Zoo, including \$9.0 million to replace the Tropical Rainforest Building, \$5.0 million to replace the education center, and \$1.0 million to convert the old education center into a reptile house.
- **Brownfield Remediation for Economic Development:** The referendum increases funding by \$5.0 million to provide matching grants of up to 80.0 percent of project costs to public, private, and non-profit entities for brownfield remediation projects. There is currently no funding in the FY2014 Capital Plan nor was it requested in DEM’s FY2015 capital request.
- **Local Recreation Grants:** The referendum provides \$4.0 million to municipalities to match grants of up to 80.0 percent of project costs to acquire, develop, or rehabilitate local recreational facilities such as sports fields, tennis courts, and playgrounds. The grant applications will be evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies.
- **Flood Prevention:** The referendum provides \$3.0 million in grants to public and non-profit entities to repair and/or remove dams; restore and/or improve the resiliency of vulnerable coastal habitats; and restore river and stream floodplains design and construction grants. These funds, which are expected to leverage matching funds, will support local efforts to improve community resiliency and public safety during times of increased flooding, major storm events, and environmental degradation.
- **Farmland Acquisition:** The referendum provides \$3.0 million for the purchase and protection of farmland in danger of converting to non-agricultural use. This land will then be restricted to agricultural use, and either sold or leased to qualified farmers. If the land is sold, the proceeds from the sale of the land will be credited back to the account for use in new projects.
- **Roger Williams Park:** The referendum provides \$3.0 million for the construction and reconstruction of roads, bridges, sidewalks, and walkways repair roads within Roger Williams Park.

Article 6: Rhode Island Resource Recovery Corporation

This Article extends the expiration of Rhode Island Resource Recovery Corporation (RIRRC) municipal tipping fees from June 30, 2014, to June 30, 2015, and requires RIRRC to submit a rate plan with a proposed budget to the State by October 1, 2014.

Currently, municipalities pay between \$29.00 and \$32.00 per ton depending on recycling rates. The maximum tipping fee charged to municipalities has been capped at \$32.00 per ton since July 1, 1993. The law was most recently amended by the 2011 General Assembly to extend the existing rate schedule from FY2012 through FY2014.

Through its enabling legislation, RIGL 23-19-10(41), RIRRC is charged with promoting efforts to reduce the waste stream in order to extend the life of the landfill. However, reduced tonnage means reduced revenue for the Corporation.

In FY2013, municipal tipping fees comprised 22.5 percent of total RIRRC revenue.

Total Municipal Tonnage and Tipping Fees

	Tonnage	Fees
FY2009	346,145	\$11,513,378
FY2010	342,737	11,541,731
FY2011	336,382	11,501,319
FY2012	329,734	11,080,199
FY2013	308,025	10,293,645
FY2014 ¹	176,368	5,658,536

¹ FY2014 collections through December 2013.

Source: RI Resource Recovery Corporation

Article 7: Relating to Regional Greenhouse Gas Initiative Act

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired power plants. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electric power generators in participating states to reduce CO₂ emissions.

This Article increases the percentage of revenue from the auction or sale of greenhouse gas allowances that may be used for administrative costs of the program, as well as other climate change, energy efficiency and renewable program efforts by the Department of Environmental Management or the Office of Energy Resources, from 5.0 percent to 10.0 percent. Consequently, a maximum of either \$300,000 or 10.0 percent of the proceeds may be used, whichever is greater.

Article 8: Relating to Underground Economy and Employee Misclassification Act

This Article establishes a task force to educate business owners about state laws and regulations, target investigations, and conduct enforcement against violators. The purpose of the Article and task force is to combat the existence of employee misclassification (deliberate listing of employees as independent contractors) and other actions taken by individuals and business owners to conceal their activities from government licensing, regulatory and taxing authorities. The task force replicates a similar effort conducted in Massachusetts that generated \$10.9 million in new revenue within a two-year period. The Department of Revenue projects that a similar action in Rhode Island could generate \$1.8 million in new revenue.

Article 9: Relating to Government Reform

This Article amends several sections of law that amend General Assembly budgetary oversight and authorization, including:

- Requires all new state employees hired after September 30, 2014, participate in a direct deposit system, to be established by the State Controller. Employees hired prior to September 30, 2014, will be required to participate in a direct deposit system by June 30, 2016. The State currently offers direct deposit as a payment option.
- Amends and repeals sections of RIGL 37-2-3 concerning the reporting of privatization contracts and subcontractors. Reporting is still required through the online Transparency Portal.
- Amends RIGL 42-90-1 by increasing the threshold for the public reporting and disclosure of consultant contracts from \$100,000 to \$150,000.

- Amends RIGL 36-7-2(8) regarding FICA (Social Security) Alternative Retirement Plan (FARP) for seasonal, temporary, and part-time State employees who are not members of the Employees' Retirement System of Rhode Island. The Article clarifies that a FARP-eligible employee is one that "works less than 20 hours per week" rather than the enacted version of "who works at least 20 hours or less per week," to recognize that employees who work 20 hours per week are part of the retirement system.
- Amends RIGL 39-21.1-4 establishing the E-911 Emergency Telephone Number Act, requiring 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, be deposited into the Information Technology Investment Fund. Passage is projected to generate \$1.7 million annually for the Information Technology Investment Fund.
- Requires the Department of Administration to prepare a report by October 31, 2014 of all current property owned by the State or leased by any state agency or quasi-public agency, to include information such as a description and location of the property, information on the expiration of leases, ratios of occupancy and vacancy within each property, a strategic plan for leases commencing or expiring by June 30, 2016, a map of all state buildings that provides the cost per square footage to maintain, and a benchmark report on the operating cost by full-time employee, and the operating costs by square footage divided by the number of full-time employees.

Article 10: Relating to Making Supplemental Appropriations in Support of FY2014

This Article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted and other funds, as well as authorized FTE levels for each agency and department. The Article decreases general revenue expenditures by \$7.4 million, offset by an increase in other fund sources, resulting in a net increase of \$257.1 million for FY2014.

	FY2014 Enacted	FY2014 Revised	Change to Enacted
General Revenue	\$3,359.8	\$3,352.4	(\$7.4)
Federal Funds	2,717.7	2,930.0	212.3
Restricted Receipts	255.0	278.7	23.7
Other Funds	1,880.6	1,909.1	28.5
Total	\$8,213.1	\$8,470.2	\$257.1
FTE Authorization	15,118.3	15,100.3	(18.0)

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

Article 11: Relating to Employment (Job Development Fund Assessment)

This Article clarifies that upon the full repayment of any outstanding principal and/or interest due on Title XII advances from the federal government or beginning in tax year 2015, 0.02 percentage points of the Job Development Assessment (JDA) paid by employers will continue to be used to support core service expenses in the Unemployment Insurance and Employment Services programs at the Rhode Island Department of Labor and Training (DLT) and that the overall assessment will decrease to 0.21 percent. DLT currently levies a temporary assessment increase of 0.30 percent of employee wages for use to pay the outstanding principal and interest due on the federal funds borrowed to pay unemployment insurance. The Article maintains current law requiring any remaining funds be deposited into the State's Employment Trust Fund, which is then limited solely to benefit payments under federal law.

The Article also authorizes the Governor and Director of Administration to borrow funds from the State General Fund to pay unemployment insurance benefits to avoid future borrowings from the federal

government in the event that the State's Employment Security Fund does not possess sufficient funds. Any borrowings from the State General Fund must be repaid in the same fiscal year.

Lastly, this Article creates a statute prohibiting municipalities from establishing or mandating an employer to pay a minimum wage to its employees other than the state or federal mandated minimum wage, or apply a state or federal minimum wage law to wages statutorily exempt from a state or federal minimum wage requirement.

Article 12: Relating to Revenues

This Article modifies the calculation of the estate tax; revises the qualifications for the property tax relief credit and the earned income tax credit; reforms the corporate tax rate and institutes combined reporting; and, creates several enforcement and enhancement activities, generating \$2.3 million in additional revenue in FY2015.

Article 12	Total Revenue
Estate Tax Credit	(\$9.4)
Property Tax Relief Credit and Earned Income Tax Credit Changes	3.9
Corporate Tax Reform	2.7
Real Estate Conveyance Tax Exemption (restricted receipts)	2.8
Safe Harbor for Use Tax	2.2
Block on New Vehicle Registrations	0.5
Anti-Zapper Legislation	0.8
Compliance of Public Employees with State Income Tax Act	0.7
Alcohol Tax Pilot Extension	(1.6)
Total	\$2.6

\$ in millions

The Article:

- **Modifies the Calculation of the Estate Tax:** The estate tax is modified so that estates are granted a non-refundable credit valued at \$64,400, effectively exempting estates valued at less than \$1.5 million from the estate tax. Estates in excess of the threshold owe tax, but because there would be a credit, tax is not owed on the first \$1.5 million in estate value.

The Budget captures \$9.4 million in reduced estate tax revenues in FY2015, based on the change taking effect for estates where the death of the taxpayer occurs on or after January 1, 2015. This impact essentially doubles in FY2016 and beyond.

- **Makes Revisions to the Property Tax Relief Credit and Earned Income Tax Credit Programs:** The Budget changes the calculation of two credits allowed against the personal income tax (PIT) for low and fixed income taxpayers: the property tax relief (PTRC) and the earned income tax credit (EITC). Under the new rules for the PTRC, only elderly (over age 65) and disabled claimants are entitled to the PTRC. The Budget also modifies the calculation of the EITC. The change reduces the amount of the federal EITC allowable from 25.0 percent to 10.0 percent of the federal EITC; however, the State refunds 100.0 percent of that amount versus the current law, which refunds up to 15.0 percent.
- **Reforms the Corporate Tax Rate and Institutes Combined Reporting:** The Budget reduces the corporate tax rate from 9.0 percent to 7.0 percent and institutes combined reporting for C corporations. Combined reporting captures the income of Rhode Island corporations and any affiliated companies that are under common ownership, and treats the group as if it is one business. Companies are required to report all income made by all subsidiaries, regardless of the state in which it was earned, and then remit state corporate income taxes on the basis of the entity's economic activity in the state as determined by an apportionment formula (the amount of business activity done

within the state as compared to total business activity). The decrease in the corporate tax rate places Rhode Island roughly in the middle of the pack nationally, and the State would have the lowest top rate in New England.

- **Real Estate Conveyance Tax Exemption:** Article 12 creates the Housing Resources Commission Restricted Account, which exempts a portion of revenue associated with the real estate conveyance tax. These funds, estimated to be \$2.8 million in FY2015, will be dedicated to the Housing Resources Commission and the housing rental subsidy program. These accounts are exempted from the 10.0 percent indirect cost recovery provision.
- **Establishes Safe Harbor for Use Tax:** Institutes a lookup table for the purposes of estimating use tax owed to the State on Personal Income Tax returns. The table is used to determine the amount of use tax owed based on the taxpayer's federally adjusted gross income level. Use of the lookup table to estimate and pay taxes owed creates a "safe harbor" alternative to listing the actual amount of the taxpayer's use tax obligation.
- **Establishes a Block on "New" Vehicle Registrations:** Prohibits the Division of Motor Vehicles (DMV) from issuing new vehicle registrations to taxpayers that are not current in their tax return filings or payments, increasing revenues by \$488,000. The State already has the authority to block registration renewals.
- **Creates Anti-Zapper Legislation:** Creates "anti-zapper" legislation to outlaw any automated sales suppression devices and software that falsifies transaction data, transaction reports, or any other electronic records of sales. Any use, sale or possession of this software is considered a felony and violators may be charged a fine up to \$50,000.
- **Establishes the Public Employee Income Tax Compliance Act:** Establishes the State Employee Compliance Project, requiring all State and municipal employees to be in compliance with RI personal income tax law as a condition of employment. Any State or municipal employee who is not in compliance will be notified that wages will be garnished until the employee is deemed in compliance by the Tax Administrator.
- **Extends the Alcohol Tax Pilot:** Expands the Alcohol Tax pilot program established in the FY2014 Budget as Enacted, extending the sales tax exemption on certain alcoholic beverages to June 30, 2015. The FY2014 Budget as Enacted eliminated the sales tax on spirits and wine and increased the excise tax on beer, spirits, and wine, only through March 31, 2015. This change will allow for the pilot program to coincide with the fiscal year.

Article 13: Relating to the Lottery

This Article amends statutes pertaining to the transfer and reporting of funds within the Division of Lottery, and authorizes and directs the Division to enter into contract for the payment of certain marketing expenses:

This Article:

- Removes the requirement that 25.0 percent of the total revenue received from the sale of lottery tickets and all other income earned from the lottery, and no less than 15.0 percent of the total revenues from Keno, be transferred into the general fund.
- Modifies the reporting requirements of the Division's financial statements to comply with rules promulgated by the Governmental Accounting Standards Board (GASB). Beginning in FY2015, operating expenses incurred by the Division of Lottery for the purpose of determining revenues to be transferred to the general fund, will reflect the actuarially determined employer contribution to the Employees Retirement System of Rhode Island consistent with the State's adopted funding policy.

Changes will be reflected on the State Lottery Fund financial sheets, and will not affect the actual transfer of funds.

- Directs the Division of Lottery to contract for increased State shares of marketing expenses at Twin River. Currently the State shares in the first \$10.0 million in qualified marketing expenses annually. The State share is equal to the percentage that the State captures of video lottery terminal net terminal income (61.05 percent). Twin River is responsible for the first \$6.0 million in marketing investments, and the State participates in the next \$4.0 million. The Article expands State participation in the marketing program. The Budget accounts for \$1.1 million in reduced revenues based on the change. This amounts to approximately one-half of the State cost. Full cost is not accounted for because the premise of increased marketing is to increase State and facility revenues.

Article 14: Relating to Government Reorganization

This Article makes the following changes to the organization of state government:

- Establishes the Rhode Island Emergency Management Agency (RIEMA) as a separate agency. Currently, RIEMA and the RI National Guard comprise Military Staff. No additional funds or new FTE positions will be required, however the existing 32.0 FTE positions associated with RIEMA will transfer to the new agency.
- Transfers administrative responsibilities associated with the Low Income Home Energy Assistance Program (LIHEAP) Enhancement Plan (“Henry Shelton Act”) from the Office of Energy Resources (OER) to the Department of Human Services (DHS), completing the transfer of the LIHEAP program from OER to DHS, which began in FY2012. Unlike the LIHEAP program, which is funded entirely with federal funds, the LIHEAP Enhancement Plan program is funded through a monthly assessment on every National Grid electric and gas customer and is used to augment the pool of federal aid available to National Grid customers who may be eligible to receive a credit on their gas or electricity bill. DHS will now be responsible for the full administration of the program including being the responsive agency during the annual regulatory review of the program with the Public Utilities Commission. No additional funds or FTE positions are included to support this transfer as these were included in earlier budgets.
- Formally establishes in law an Office of Technical and Customer Assistance in the Department of Environmental Management (DEM) to support current efforts underway to improve customer service and performance through the Lean initiative. This office is statutorily created with existing FTE positions and funding.
- This Article transfers all RIHEAA programs to other agencies within state government for FY2016, but it does not specify which. All state departments are required to provide information to the Administration to help determine the specifics of the transfer.
- Maintains the Office of Regulatory Reform within the Office of Management and Budget, rather than moving it to the Executive Office of Commerce.

Article 15: Related to Health and Human Services

This Article expands eligibility of the state portion of the Supplemental Security Income (SSI) program to individuals living in certain assisted living facilities financed by RI Housing, which includes the following facilities: St. Elizabeth’s Court, Franklin Court, or Forest Farms. These residents will receive a monthly payment of \$206 beginning October 1, 2014.

Additionally, this Article continues the Child Care Subsidy pilot program that applies to current program participants whose income increases to 225 percent of the federal poverty level for an additional 24

months through September 30, 2016. Program participants are required to pay a co-pay to be determined by the Department of Human Services on a sliding scale.

Lastly, this Article makes a number of changes to the prohibitions regarding compassion centers. Rather than specifying the number of marijuana plants and the proportion of which shall be mature plants, each compassion center is required to limit its inventory to the projected need of its registered patients. This includes inventory of seedlings, plants, and usable marijuana. The Article does not provide further specification as to how this need will be determined.

Article 16: Relating to Health Care

Hospital Licensing Fee

This Article reinstates the annually-enacted Hospital Licensing Fee at the rate of 5.418 percent upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2012, except for those hospitals located in Washington County, Rhode Island. Through a waiver from the Centers for Medicare and Medicaid Services, Washington County hospitals' license fee is discounted by 37.0 percent, lowering the rate paid by Westerly and Newport Hospitals to 3.413 percent for a total discount to these hospitals of \$3.6 million.

Article 16 also institutes the Hospital Licensing Fee at the rate of 5.703 percent upon net patient revenue for fiscal the year ending on or after January 1, 2013, with the fee discounted for Washington County hospitals. The discount afforded to Westerly and Newport Hospitals totals \$3.9 million.

Fiscal Year	Rate	Revenue
2007	3.560%	\$66.8
2008	3.480%	73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.418%	145.9
2015	5.703%	155.3

\$ in millions

The hospital licensing fee is a provider tax that the State levies to collect revenue from hospitals. In past fiscal years, it has been used to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program. Though the State's largest hospitals are non-profit and do not pay corporate income taxes, the hospital licensing fee has become a considerable source of revenue for the State since its substantial increase in FY2009.

Funding for Adult and Child Immunizations and for the Children's Health Account

Article 16 eliminates the assessments on health insurance premiums that currently fund the adult and child immunization programs and the Children's Health Account (CHA). In their place, the Article implements a per-enrollee fee on lives covered by both full-insured and self-insured health insurance plans effective January 1, 2016.

The Article carves out the following populations from the new assessment:

- Employees, retirees, and dependents enrolled in the State health insurance plan (delayed until July 1, 2016)
- Employees of not-for-profit healthcare corporations (delayed until July 1, 2016)
- Employees of behavioral healthcare organizations (delayed until July 1, 2016)
- Enrollees in self-funded municipal health insurance plans (excluded altogether)
- Enrollees in Medicaid fee-for-service health insurance (excluded altogether)

These carve-outs reduce the assessment base, particularly in FY2016. The remaining self-insured entities will go from paying \$0 to a temporary peak beginning January 1, 2016, then down to a lower rate starting in July 2016 when state, hospital, and behavioral healthcare employees are included in the assessment.

The Article directs the Department of Health to meet with municipal governments to discuss the timing and manner under which municipalities will be included in the assessment and to reports its findings to the chairpersons of the house finance committee and senate finance committee no later than April 1, 2015.

Background: Currently, health insurance premiums are subject to three assessments, revenues from which fund adult and child immunizations and Medicaid-funded services for children with special health care needs. Revenue from these assessments is deposited into restricted receipt accounts to fund these programs. In FY2014, these three assessments will raise a total of \$30.5 million as shown below.

This Article establishes a new funding mechanism that assesses a per-enrollee fee on insurers that will raise an equivalent amount of revenue. By levying an assessment on enrollees rather than on premiums, the assessments will be spread over a broader base that includes self-funded health insurance plans which will now be included and share in the cost of these public health programs.

Current Premium Assessments, FY2014	
	Revenue
Children's Health Account	\$10,100,000
Child Immunization Assessment	13,094,175
Adult Immunization Assessment	7,323,841
Total	\$30,518,016

The child immunization and adult immunization assessments fund the purchase and distribution of required pediatric vaccines and recommended vaccines for preventable illness in adults. Both assessments are authorized at RIGL 23-1-44, 45, and 46.

RIGL 42-12-29 created the Children Health Account to recoup the cost of Medicaid services provided by commercially-insured children with special health care needs. In these cases, Medicaid provides wrap-around services that are not covered by a child's commercial insurance.

Article 17: Relating to Hospital Uncompensated Care

This Article establishes the authority for the Disproportionate Share Hospital (DSH) program for FFY2014 (with payments made to hospitals in SFY2015) and for FFY2015 (with payments made to hospitals in SFY2016). These payments are made to hospitals with federal participation at the prevailing Medicaid match rate (the federal medical assistance percentage, or FMAP). The FY2015 plan includes DSH payments of \$138.3 million to community hospitals and to the Eleanor Slater hospital.

Though the Governor proposed the repeal of the statutory requirement for annual outpatient Upper Payment Limit (UPL) payments to hospitals, the Budget restores this requirement and adds the requirement for annual inpatient UPL payments in addition to outpatient UPL payments. The Budget includes a total of \$22.6 million in UPL payments, also made with federal matching funds.

FY2015 payments to hospitals are as follows:

Hospital	DSH Payment	UPL Payments	Total Payments
Butler	\$8,828	\$0	\$8,828
Kent	11,206,506	1,797,533	13,004,039
Memorial	11,729,575	1,685,245	13,414,820
Women and Infants	17,910,253	5,519,412	23,429,665
Care New England	\$40,855,162	\$9,002,190	\$49,857,352
Bradley	\$80,093	\$0	\$80,093
Miriam	9,904,560	1,930,313	11,834,873
Newport	4,576,028	673,075	5,249,103
Rhode Island Hospital	57,794,255	7,844,532	65,638,787
Lifespan	\$72,354,937	\$10,447,920	\$82,802,857
Roger Williams	\$6,645,068	\$803,371	\$7,448,439
St. Joseph	7,980,457	828,905	8,809,362
CharterCARE	\$14,625,525	\$1,632,276	\$16,257,801
Landmark	\$3,716,768	\$1,067,075	\$4,783,843
South County	2,989,825	253,116	3,242,941
Westerly	2,227,206	169,418	2,396,624
Rehabilitation Hospital	-	59,354	59,354
Other	\$8,933,799	\$1,548,963	\$10,482,762
Eleanor Slater	1,548,841		
Total	\$138,318,263	\$22,631,349	\$159,400,771

Disproportionate Share Hospital (DSH) Rhode Island’s hospitals receive payments from the Executive Office of Health and Human Services (OHHS) and the federal government for uncompensated care they provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments.

Under current law (RIGL 40-8.3-3), DSH payments are distributed to community hospitals based on the ratio of each hospital’s uncompensated inpatient care costs to the total uncompensated inpatient care costs for all hospitals. “Uncompensated care costs” are defined as the sum of the costs to each hospital for care attributable to charity care (free care or bad debt) and the hospital’s “Medicaid losses” (the difference between the cost of care provided to Medicaid beneficiaries and Medicaid reimbursements) times the uncompensated care index. The “uncompensated care index” is a percentage adjustment intended to account for any growth between the base year and the current year. For FFY2015, the Article sets the index to 5.3 percent (the same as in FFY2014).

Upper Payment Limit (UPL) UPL payments compensate community hospitals for the gap between what hospitals receive for Medicaid outpatient and emergency department services and what they would have been paid for those services under Medicare reimbursement principles. UPL payments, cost-shared by both the State and federal governments, bring its total Medicaid expenditures up to this Medicare upper payment limit, maximizing available federal funds.

While the State has traditionally made UPL payments to hospitals to make up for the Medicaid shortfall for outpatient services, this Budget also makes a UPL payment for inpatient services. The Medicaid

shortfall for inpatient services is the result of the freeze of hospital rates that was included in the FY2013 Budget, which increased the gap between hospital costs and Medicaid payments for services delivered in that fiscal year, creating a new pool of uncompensated care.

Article 18: Relating to Medical Assistance

Article 18 provides substantial statutory language to Medicaid long-term management care arrangements. Among its directives, this Article:

- Provides patient protections and implements quality measures such as requiring clear communication to beneficiaries regarding choices of care services, availability of supports, and managed care options
- Prohibits managed care organizations from combining Medicaid and Medicare payments into a single capitated rate for certain services, as is the reform currently underway in OHHS' Integrated Care Initiative
- Sets a floor on rates paid for certain services
- Requires managed care organizations to contract with any willing licensed and certified nursing facility
- Requires use of a standard assessment tool to determine level of care required

Though the Budget omits the Governor's proposal for Katie Beckett cost-sharing, Article 18 directs OHHS to collect annual tax and other financial information from families that qualify for Medicaid through the non-means tested Katie Beckett option. This information will not affect a child's eligibility for services.

Article 18 establishes a new Medicaid Graduate Medical Education program at hospitals that provide inpatient care to at least 25,000 indigent patients each year, have a Level 1 Trauma Center, and provide medical education to at least 250 interns and residents per year. Rhode Island Hospital is the only hospital that currently meets these criteria. The Budget includes \$1.0 million in general revenue funding to establish this program. No federal matching funds are included.

This Article requires that payments made to out-of-state providers of Medicaid services be made only to facilities approved by the State Medicaid program, except under special circumstances as authorized by the Secretary of OHHS. Beginning September 1, 2014, the Department of Children, Youth and Families is required to report bi-weekly to the Senate, House, and the Office of Management and Budget on the number of out-of-state placements as well as on the source and reason for placement.

Finally, Article 18 grants OHHS the authority to make the following changes related to FY2015 savings initiatives:

Medical Assistance - Article 18 Savings Initiatives	General Revenue
Managed Care Capitation Rate Reduction	(\$11,702,090)
Eliminate Hospital Rate Increase	(4,403,222)
Community First Choice Program 1915(k) Option	(3,047,801)
Delay Nursing Home Rate Increase	(2,636,568)
Qualified Health Plan Coverage for Pregnant/Postpartum Women, 133-250% FPL	(599,967)
Total	(\$22,389,648)

Managed Care Capitation Rate Reduction: The Budget reduces Medicaid managed care monthly capitation rates by 2.95 percentage points from the anticipated expense trend for FY2015 for RIte Care and Rhody Health Partners, for savings of \$11.7 million (\$23.4 million all funds). This initiative will impact managed care organizations Neighborhood Health Plan of RI and United Healthcare.

Eliminate Hospital Rate Increase: This Article provides the authority to suspend the scheduled rate increase for inpatient and outpatient hospital services in FY2015 in both the fee-for-service and managed care environments. Typically, the base price for hospital services is adjusted annually for trends in a nationally recognized price index. For FY2015, however, this adjustment is suspended as it was in FY2014. Therefore, for the second year, charges for hospital services are limited to the rates that were in effect in FY2013. The FY2015 Budget includes savings of \$4.4 million (\$8.8 million all funds) for this initiative.

Analyst's Note: The Governor proposed to eliminate the FY2015 Outpatient Upper Payment Limit (UPL) payment to hospitals. The Budget restores this cut and also adds an Inpatient Upper Payment Limit payment for total UPL payments to hospitals of \$11.3 million (\$22.6 million all funds). These payments reimburse hospitals for care to uninsured and Medicaid individuals.

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

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

The savings in FY2015 are derived primarily from the resultant shift to federal funds.

Delay Nursing Home Rate Increase: Under this Article, payments made to skilled nursing facilities and associated hospice organizations that provide services to Medicaid-eligible individuals will be adjusted by the change in the national nursing home inflation index on April 1, 2015, rather than on October 1, 2014, as scheduled, for general revenue savings of \$2.6 million. The Governor's Budget had suspended this increase for all of FY2015 for general revenue savings of \$3.7 million.

The FY2014 Budget as Enacted also suspended this adjustment and included savings of \$2.6 million (\$5.2 million all funds).

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

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

The Budget includes \$600,000 in general revenue savings (\$1.2 million all funds) from this initiative.

Article 19: Relating to Medical Assistance Recoveries

This Article provides the Executive Office of Health and Human Services (OHHS) with the statutory authority for increased and more equitable recovery of Medicaid costs from estates of Medicaid beneficiaries and from third party settlements paid to Medicaid beneficiaries.

Recoveries from Third Party Settlements: As a result of a federal legislative change, beginning October 2014, OHHS will have broader ability to recover payments made to Medicaid beneficiaries from settlements with third parties. Whereas previously the Office could recover Medicaid costs only from that portion of a settlement that was allocated to health care costs, OHHS will now be permitted to recover Medicaid costs from the entire settlement, regardless of whether the settlement covered both medical and nonmedical categories of damages. Nonmedical damages may include settlements allocated to pain and suffering, property damage, or lost wages, for example.

In this way, federal and state Medicaid agencies are allowed first dollar recovery off the top of any settlement with a Medicaid beneficiary. The Congressional Budget Office has estimated that the federal government will save \$1.4 billion over the next ten years through these expanded recoveries. No State savings are budgeted, however expanded authority is expected to result in increased future recoveries.

Life Estate with Powers: Eligibility and Recovery: This Article closes a loophole used to avoid having real estate evaluated as an asset when applying for Medicaid as well as from eventual estate recovery by the Medicaid agency.

While OHHS legal staff has seen a marked increase in the use of the life estate with powers deeds to shield real property from the Medicaid agency's eligibility and recovery practices, this Article would eliminate life estates as an estate planning strategy for those with substantial assets seeking to qualify for Medicaid long term care.

Article 19 clarifies that Medicaid applicants or recipients that have reserved a life estate in property will not be automatically disqualified from eligibility but rather that property held within such a deed will be included as a resource when determining eligibility.

Article 20: Relating to Board of Education

This Article establishes a new governance structure for education from pre-kindergarten through higher education. It increases the membership of the current Board of Education from 11 to 17 members. The Article redefines the duties and responsibilities of the Board of Education, establishes a Council on Elementary and Secondary Education, and establishes a Council on Postsecondary Education. Each Council will be comprised of eight members, who also serve on the Board of Education. The Council on Elementary and Secondary Education will have the same duties and responsibilities as the former Board of Regents for Elementary and Secondary Education. The Council on Postsecondary Education will have the same duties and responsibilities as the former Board of Governors for Higher Education.

The Article delegates specific authority to the Presidents of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. This Article establishes the Office of Postsecondary Commissioner in place of the Office of Higher Education, and eliminates the Executive Committee that was established under RIGL 16-97-3.

Article 21: Relating to Transportation

This Article makes the following changes to transportation funding:

- Removes the authority of the Rhode Island Turnpike and Bridge Authority to toll the Sakonnet River Bridge.

- Transfers revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account, beginning in FY2015.
- 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.
- Transfers 3.5 cents of the gasoline tax to the Rhode Island Turnpike and Bridge authority for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support.
- 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 Rhode Island Highway Maintenance Account.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the Rhode Island Highway Maintenance Account.
- Phases in the transfer to all vehicle license and registration fees, beginning in FY2016, to the Rhode Island Highway Maintenance Account.
- These changes are currently estimated to yield more than \$50.0 million annually in additional transportation funding once fully implemented in FY2019.

Summary of Impact	FY2015	FY2016	FY2017	FY2018	FY2019
New Fines, Fees, and Indexed Gas Tax	\$5.4	\$9.6	\$9.5	\$13.6	\$13.6
New/Redirected General Revenue	16.4	28.5	52.9	65.8	66.5
Additional RICAP Funding	6.0	5.0	4.0	4.0	4.0
Operations/Structural Excess	2.9	9.8	20.5	28.4	29.7
Unallocated Bond Proceeds	17.0	8.0	-	-	-
New Revenue for Highway Maintenance Account	\$47.7	\$60.8	\$87.0	\$111.8	\$113.8
Debt Service	(\$19.3)	(\$29.3)	(\$39.3)	(\$43.5)	(\$42.5)
Turnpike and Bridge	(14.7)	(14.6)	(14.6)	(14.5)	(14.4)
RIPTA	-	(1.9)	(3.1)	(4.0)	(4.0)
Additional Transportation Funding	\$13.7	\$15.1	\$30.0	\$49.8	\$53.0

in millions

Article 22: Relating to Education

This Article extends the moratorium on the approval of school housing projects, except those for immediate health and safety reasons, from June 30, 2014, to May 1, 2015.

Article 23: Effective Date

This Article provides that the Act would take effect on July 1, 2014, except as otherwise provided therein.



APPENDIX

Summary Tables

GENERAL REVENUE STATEMENT

Opening Surplus	FY2013	FY2014 Enacted	FY2014 Revised	FY2015 Enacted
Free Surplus	\$115,187,511	\$93,407,399	\$104,119,715	\$59,210,130
Adjustment to Opening Surplus	-	-	\$0	-
Reappropriated Surplus	7,726,521	-	7,052,524	-
Subtotal	\$122,914,032	\$93,407,399	\$111,172,239	\$59,210,130
Revenues				
Enacted/Actual/Estimated	\$3,323,998,820	\$3,381,008,418	\$3,381,008,418	\$3,338,475,000
November Revenue Estimate	-	-	45,646,582	-
Governor Changes	-	-	(1,338,626)	156,037,002
Assembly Changes	-	-	(9,275,093)	(1,408,613)
Total Revenues	\$3,323,998,820	\$3,381,008,418	\$3,416,041,281	\$3,493,103,389
To Cash Stabilization Fund	(\$103,175,590)	(\$104,232,475)	(\$105,604,830)	(\$106,569,406)
Total Available Resources	\$3,343,737,262	\$3,370,183,343	\$3,421,608,690	\$3,456,473,481
Expenditures				
Actual/Enacted	\$3,216,046,418	\$3,359,755,123	\$3,359,755,123	\$0
Governor	-	-	(15,186,035)	3,456,087,970
Reappropriations	-	-	7,052,524	-
November Caseload Estimate	-	-	121,197	-
Assembly	-	-	655,751	(10,918,002)
Total Expenditures	\$3,216,046,418	\$3,359,755,123	\$3,352,398,560	\$3,445,169,968
Total Surplus	\$127,690,844	\$10,428,220	\$69,210,130	\$574,145
Transfer to Other Funds	(\$16,518,605)	(\$10,000,000)	(\$10,000,000)	-
Reappropriations	(7,052,524)	-	-	-
Free Surplus	\$104,119,715	\$428,220	\$59,210,130	\$574,145

ALL FUNDS EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
Administration	\$376,882,855	\$428,701,337	\$452,490,678	\$23,789,341	\$425,765,956	(\$2,935,381)
Business Regulation	14,707,298	12,989,880	14,576,780	1,586,900	12,976,430	(13,450)
Labor and Training	651,795,888	592,481,112	587,153,283	(5,327,829)	511,579,990	(80,901,122)
Revenue	348,730,714	353,439,739	440,057,223	86,617,484	460,214,642	106,774,903
Legislature	37,045,498	37,791,548	40,222,217	2,430,669	38,016,750	225,202
Lieutenant Governor	1,243,608	2,095,378	2,675,825	580,447	1,089,434	(1,005,944)
Secretary of State	7,313,841	6,952,764	6,987,576	34,812	8,366,955	1,414,191
General Treasurer	42,696,505	35,407,461	38,716,303	3,308,842	35,241,893	(165,568)
Board of Elections	1,846,513	1,739,361	1,738,894	(467)	4,145,127	2,405,766
Ethics Commission	1,500,568	1,577,204	1,575,940	(1,264)	1,581,205	4,001
Office of the Governor	4,024,335	4,443,513	4,132,646	(310,867)	4,527,562	84,049
Commission for Human Rights	1,454,143	1,459,423	1,463,433	4,010	1,480,179	20,756
Public Utilities Commission	7,130,573	8,420,293	8,518,927	98,634	8,459,886	39,593
Total	\$1,496,372,339	\$1,487,499,013	\$1,600,309,725	\$112,810,712	\$1,513,446,009	\$25,946,996
Human Services						
Office of Health and Human Services	\$1,664,435,882	\$1,867,935,132	\$1,980,740,775	\$112,805,643	\$2,391,411,846	\$523,476,714
Children, Youth, and Families	209,939,192	213,873,566	216,701,193	2,827,627	210,636,391	(3,237,175)
Health	103,167,181	120,980,759	120,494,567	(486,192)	122,645,570	1,664,811
Human Services	631,829,247	662,090,161	663,600,229	1,510,068	649,786,890	(12,303,271)
BHDDH	436,309,308	437,848,408	439,564,694	1,716,286	365,509,826	(72,338,582)
Governor's Commission on Disabilities	447,357	1,455,336	1,078,612	(376,724)	1,508,802	53,466
Governor's Commission on the Deaf	371,083	471,609	469,267	(2,342)	474,279	2,670
Office of the Child Advocate	610,133	648,648	625,477	(23,171)	661,817	13,169
Office of the Mental Health Advocate	340,722	486,144	483,716	(2,428)	495,010	8,866
Total	\$3,047,450,105	\$3,305,789,763	\$3,423,758,530	\$117,968,767	\$3,743,130,431	\$437,340,668
Education						
Elementary and Secondary Education	\$1,170,946,470	\$1,225,973,266	\$1,227,299,213	\$1,325,947	\$1,246,096,357	\$20,123,091
Public Higher Education	1,008,387,638	1,057,498,950	1,060,911,684	3,412,734	1,080,789,192	23,290,242
Council on the Arts	3,094,687	2,765,495	2,739,724	(25,771)	2,914,959	149,464
Atomic Energy Commission	1,230,680	1,436,731	1,225,471	(211,260)	1,271,174	(165,557)
Higher Education Assistance Authority	25,054,892	26,763,735	24,979,919	(1,783,816)	23,946,961	(2,816,774)
Historical Preservation and Heritage Comm.	1,876,982	3,506,949	4,222,727	715,778	5,909,976	2,403,027
Public Telecommunications Authority	784,886	-	-	-	-	-
Total	\$2,211,376,235	\$2,317,945,126	\$2,321,378,738	\$3,433,612	\$2,360,928,619	\$42,983,493
Public Safety						
Attorney General	\$25,023,767	\$30,400,101	\$42,823,364	\$12,423,263	\$36,791,685	\$6,391,584
Corrections	189,506,984	204,702,527	197,615,959	(7,086,568)	209,326,500	4,623,973
Judiciary	104,012,635	107,624,121	107,839,454	215,333	105,669,516	(1,954,605)
Military Staff	40,713,548	43,157,514	49,146,675	5,989,161	18,454,074	(24,703,440)
Emergency Management Agency	-	-	-	-	20,622,227	20,622,227
Public Safety	103,867,362	123,477,749	123,988,434	510,685	126,554,846	3,077,097
Public Defender	10,651,421	11,326,682	11,117,497	(209,185)	11,379,680	52,998
Total	\$473,775,717	\$520,688,694	\$532,531,383	\$11,842,689	\$528,798,528	\$8,109,834
Natural Resources						
Environmental Management	\$67,572,786	\$116,179,523	\$102,959,065	(\$13,220,458)	\$103,811,527	(\$12,367,996)
Coastal Resources Management Council	4,667,950	4,709,906	4,624,691	(85,215)	4,959,681	249,775
Total	\$72,240,736	\$120,889,429	\$107,583,756	(\$13,305,673)	\$108,771,208	(\$12,118,221)
Transportation						
Transportation	\$408,046,202	\$460,249,997	\$484,637,169	\$24,387,172	\$525,120,546	\$64,870,549
Grand Total	\$ 7,709,261,334	\$ 8,213,062,022	\$ 8,470,199,301	\$257,137,279	\$ 8,780,195,341	\$567,133,319

GENERAL REVENUE EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
Administration	\$260,904,556	\$264,801,211	\$263,297,699	(\$1,503,512)	\$268,843,237	\$4,042,026
Business Regulation	8,610,843	9,245,878	8,689,930	(555,948)	9,013,477	(232,401)
Labor and Training	7,730,995	9,064,061	8,548,019	(516,042)	8,669,103	(394,958)
Revenue	94,786,540	102,007,495	100,056,480	(1,951,015)	107,798,690	5,791,195
Legislature	35,681,738	36,186,933	38,654,217	2,467,284	36,429,671	242,738
Lieutenant Governor	942,140	986,890	946,501	(40,389)	1,015,084	28,194
Secretary of State	6,810,969	6,497,833	6,417,569	(80,264)	7,337,203	839,370
General Treasurer	2,532,414	2,654,692	2,557,317	(97,375)	2,432,105	(222,587)
Board of Elections	1,846,488	1,739,361	1,738,894	(467)	4,145,127	2,405,766
Ethics Commission	1,500,568	1,577,204	1,575,940	(1,264)	1,581,205	4,001
Office of the Governor	4,024,335	4,443,513	4,132,646	(310,867)	4,527,562	84,049
Commission for Human Rights	1,131,840	1,150,785	1,146,066	(4,719)	1,193,083	42,298
Total	\$426,503,426	\$440,355,856	\$437,761,278	-\$2,594,578	\$452,985,547	\$12,629,691
Human Services						
Office of Health and Human Services	\$772,296,683	\$843,227,650	\$848,374,650	\$5,147,000	\$904,633,663	\$61,406,013
Children, Youth, and Families	150,929,977	152,976,991	152,201,575	(775,416)	148,707,146	(4,269,845)
Health	24,068,601	24,308,001	23,459,058	(848,943)	22,957,920	(1,350,081)
Human Services	97,459,617	93,479,195	93,870,288	391,093	96,328,781	2,849,586
BHDDH	196,900,069	202,091,382	201,089,816	(1,001,566)	167,536,873	(34,554,509)
Governor's Commission on Disabilities	337,427	357,711	356,352	(1,359)	358,275	564
Governor's Commission on the Deaf	371,083	391,609	389,267	(2,342)	394,279	2,670
Office of the Child Advocate	578,085	608,651	575,477	(33,174)	611,817	3,166
Office of the Mental Health Advocate	340,722	486,144	483,716	(2,428)	495,010	8,866
Total	\$1,243,282,264	\$1,317,927,334	\$1,320,800,199	\$2,872,865	\$1,342,023,764	\$24,096,430
Education						
Elementary and Secondary Education	\$928,462,807	\$964,706,909	\$960,297,587	(\$4,409,322)	\$1,004,400,123	\$39,693,214
Public Higher Education	172,678,735	180,013,795	178,880,679	(1,133,116)	190,954,911	10,941,116
Council on the Arts	1,561,217	1,335,630	1,310,508	(25,122)	1,483,075	147,445
Atomic Energy Commission	829,034	861,710	856,770	(4,940)	913,197	51,487
Higher Education Assistance Authority	5,693,317	4,281,726	4,333,323	51,597	147,000	(4,134,726)
Historical Preservation and Heritage Comm.	1,242,950	1,357,510	1,340,796	(16,714)	1,320,610	(36,900)
Public Telecommunications Authority	799,077	-	-	-	-	-
Total	\$1,111,267,137	\$1,152,557,280	\$1,147,019,663	(\$5,537,617)	\$1,199,218,916	\$46,661,636
Public Safety						
Attorney General	\$22,301,954	\$23,656,979	\$23,795,794	\$138,815	\$23,607,146	(\$49,833)
Corrections	184,044,974	185,379,198	186,632,042	1,252,844	187,745,480	2,366,282
Judiciary	87,871,336	91,681,359	91,405,406	(275,953)	91,636,668	(44,691)
Military Staff	3,548,304	3,869,983	3,565,037	(304,946)	1,842,096	(2,027,887)
Emergency Management Agency	-	-	-	-	1,959,858	1,959,858
Public Safety	90,408,367	96,361,799	94,263,873	(2,097,926)	95,294,034	(1,067,765)
Public Defender	10,472,687	11,034,686	10,860,411	(174,275)	11,130,816	96,130
Total	\$398,647,622	\$411,984,004	\$410,522,563	(\$1,461,441)	\$413,216,098	\$1,232,094
Natural Resources						
Environmental Management	\$34,140,929	\$34,756,318	\$34,136,120	(\$620,198)	\$35,540,105	\$783,787
Coastal Resources Management Council	2,205,036	2,174,331	2,158,736	(15,595)	2,185,538	11,207
Total	\$36,345,965	\$36,930,649	\$36,294,856	(\$635,793)	\$37,725,643	\$794,994
Grand Total	\$3,216,046,414	\$3,359,755,123	\$3,352,398,559	(\$7,356,564)	\$3,445,169,968	\$85,414,845

FEDERAL FUNDS EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
Administration	\$48,041,755	\$62,189,669	\$91,718,624	\$29,528,955	\$51,493,455	(\$10,696,214)
Business Regulation	4,698,165	1,747,589	3,958,494	2,210,905	2,021,830	274,241
Labor and Training	151,039,255	95,710,236	99,066,609	3,356,373	42,183,672	(53,526,564)
Revenue	1,951,612	3,048,651	1,846,191	(1,202,460)	5,113,145	2,064,494
Lieutenant Governor	301,468	1,108,488	1,594,324	485,836	74,350	(1,034,138)
Secretary of State	2,541	-	50,163	50,163	-	-
General Treasurer	1,027,164	1,130,422	851,029	(279,393)	870,338	(260,084)
Board of Elections	25	-	-	-	-	-
Public Utilities Commission	281,102	166,818	205,056	38,238	87,733	(79,085)
Commission for Human Rights	322,303	308,638	317,367	8,729	287,096	(21,542)
Total	\$207,665,390	\$165,410,511	\$199,607,857	\$34,197,346	\$102,131,619	(\$63,278,892)
Human Services						
Office of Health and Human Services	\$880,889,456	\$1,014,710,198	\$1,119,813,012	\$105,102,814	\$1,470,870,303	\$456,160,105
Children, Youth, and Families	56,202,223	56,692,405	60,985,292	4,292,887	56,568,664	(123,741)
Health	54,360,133	62,004,542	63,895,434	1,890,892	65,094,393	3,089,851
Human Services	523,431,013	554,368,102	561,593,830	7,225,728	547,332,819	(7,035,283)
BHDDH	228,870,909	217,759,723	219,901,053	2,141,330	181,157,004	(36,602,719)
Governor's Commission on Disabilities	101,893	129,989	156,330	26,341	141,350	11,361
Office of the Child Advocate	32,048	39,997	50,000	10,003	50,000	10,003
Total	\$1,743,887,675	\$1,905,704,956	\$2,026,394,951	\$120,689,995	\$2,321,214,533	\$415,509,577
Education						
Elementary and Secondary Education	\$213,509,174	\$225,746,654	\$228,824,552	\$3,077,898	\$208,495,934	(\$17,250,720)
Public Higher Education	4,015,957	6,190,306	5,032,194	(1,158,112)	5,092,287	(1,098,019)
Council on the Arts	713,635	797,329	796,680	(649)	799,348	2,019
Atomic Energy Commission	132,451	267,044	60,724	(206,320)	-	(267,044)
Higher Education Assistance Authority	10,977,121	13,274,020	12,316,514	(957,506)	15,465,693	2,191,673
Historical Preservation and Heritage Comm.	538,626	609,949	2,175,422	1,565,473	2,183,588	1,573,639
Total	\$229,886,964	\$246,885,302	\$249,206,086	\$2,320,784	\$232,036,850	(\$14,848,452)
Public Safety						
Attorney General	\$1,390,205	\$1,619,532	\$2,829,090	\$1,209,558	\$1,634,631	\$15,099
Corrections	1,950,008	1,788,688	2,563,718	775,030	1,654,703	(133,985)
Judiciary	2,043,111	2,624,248	2,410,583	(213,665)	1,909,247	(715,001)
Military Staff	34,152,735	34,878,752	41,330,122	6,451,370	14,779,178	(20,099,574)
Emergency Management Agency	-	-	-	-	18,273,640	18,273,640
Public Safety	5,960,830	6,155,535	10,744,356	4,588,821	6,894,275	738,740
Public Defender	178,734	291,996	257,086	(34,910)	248,864	(43,132)
Total	\$45,675,623	\$47,358,751	\$60,134,955	\$12,776,204	\$45,394,538	(\$1,964,213)
Natural Resources						
Environmental Management	\$18,300,658	\$38,391,731	\$37,400,336	(\$991,395)	\$31,859,611	(\$6,532,120)
Coastal Resources Management Council	2,021,633	2,160,593	2,215,955	55,362	1,774,143	(386,450)
Total	\$20,322,291	\$40,552,324	\$39,616,291	(\$936,033)	\$33,633,754	(\$6,918,570)
Transportation						
Transportation	\$272,369,503	\$311,761,586	\$355,027,537	\$43,265,951	\$352,114,755	\$40,353,169
Grand Total	\$2,519,807,446	\$2,717,673,430	\$2,929,987,677	\$212,314,247	\$3,086,526,049	\$368,852,619

RESTRICTED RECEIPTS EXPENDITURES

General Government	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
Administration	\$7,165,104	\$15,912,808	\$18,380,918	\$2,468,110	\$36,398,746	\$20,485,938
Business Regulation	1,398,290	1,996,413	1,928,356	(68,057)	1,941,123	(55,290)
Labor and Training	36,663,287	43,125,719	55,242,490	12,116,771	41,540,583	(1,585,136)
Revenue	1,730,219	1,821,886	1,795,805	(26,081)	4,000,819	2,178,933
Legislature	1,363,760	1,604,615	1,568,000	(36,615)	1,587,079	(17,536)
Lieutenant Governor	-	-	135,000	135,000	-	-
Secretary of State	500,331	454,931	519,844	64,913	529,752	74,821
General Treasurer	38,966,029	31,393,424	35,097,680	3,704,256	31,718,842	325,418
Public Utilities Commission	6,849,471	8,253,475	8,313,871	60,396	8,372,153	118,678
Total	\$94,636,491	\$104,563,271	\$122,981,964	\$18,418,693	\$126,089,097	\$21,525,826
Human Services						
Office of Health and Human Services	\$11,249,743	\$9,997,284	\$12,553,113	\$2,555,829	\$15,907,880	\$5,910,596
Children, Youth, and Families	2,448,750	2,614,170	2,448,750	(165,420)	2,448,750	(165,420)
Health	24,703,887	34,632,906	33,011,013	(1,621,893)	34,593,257	(39,649)
Human Services	7,232,941	9,762,500	2,810,765	(6,951,735)	1,797,309	(7,965,191)
BHDDH	6,039,273	7,396,872	9,551,440	2,154,568	9,608,663	2,211,791
Governor's Commission on Disabilities	5,217	10,365	15,930	5,565	9,177	(1,188)
Governor's Commission on the Deaf	-	80,000	80,000	-	80,000	-
Total	\$51,679,811	\$64,494,097	\$60,471,011	(\$4,023,086)	\$64,445,036	(\$49,061)
Education						
Elementary and Secondary Education	\$23,405,069	\$27,658,516	\$26,593,892	(\$1,064,624)	\$26,953,972	(\$704,544)
Public Higher Education	596,538	702,583	702,583	-	644,000	(58,583)
Historical Preservation and Heritage Comm.	42,137	454,491	457,820	3,329	434,910	(19,581)
Total	\$24,043,744	\$28,815,590	\$27,754,295	(\$1,061,295)	\$28,032,882	(\$782,708)
Public Safety						
Attorney General	\$923,413	\$5,073,590	\$15,956,675	\$10,883,085	\$11,249,908	\$6,176,318
Corrections	52,723	64,890	66,153	1,263	398,879	333,989
Judiciary	10,393,917	11,803,514	11,838,182	34,668	10,773,601	(1,029,913)
Military Staff	359,161	1,000,779	771,058	(229,721)	442,800	(557,979)
Emergency Management Agency	-	-	-	-	221,729	221,729
Public Safety	3,076,402	12,753,188	12,853,755	100,567	12,863,854	110,666
Total	\$14,805,616	\$30,695,961	\$41,485,823	\$10,789,862	\$35,950,771	\$5,254,810
Natural Resources						
Environmental Management	\$12,009,000	\$18,081,515	\$18,901,450	\$819,935	\$15,934,989	(\$2,146,526)
Coastal Resources Management Council	219,000	374,982	250,000	(124,982)	250,000	(124,982)
Total	\$12,228,000	\$18,456,497	\$19,151,450	\$694,953	\$16,184,989	(\$2,271,508)
Transportation						
Transportation	\$973,230	\$8,010,496	\$6,868,950	(\$1,141,546)	\$12,352,761	\$4,342,265
Grand Total	\$198,366,892	\$255,035,912	\$278,713,493	\$23,677,581	\$283,055,536	\$28,019,624

OTHER FUNDS EXPENDITURES

	FY2013 Actual	FY2014 Enacted	FY2014 Revised	Change from Enacted	FY2015 Enacted	Change from Enacted
General Government						
Administration	\$60,771,440	\$85,797,649	\$79,093,437	(\$6,704,212)	\$69,030,518	(\$16,767,131)
Labor and Training	456,362,351	444,581,096	424,296,165	(20,284,931)	419,186,632	(25,394,464)
Revenue	250,262,343	246,561,707	336,358,747	89,797,040	343,301,988	96,740,281
Secretary of State	-	-	-	-	500,000	500,000
General Treasurer	170,898	228,923	210,277	(18,646)	220,608	(8,315)
Total	\$767,567,032	\$777,169,375	\$839,958,626	\$62,789,251	\$832,239,746	\$55,070,371
Human Services						
Children, Youth, and Families	\$358,242	\$1,590,000	\$1,065,576	(\$524,424)	\$2,911,831	\$1,321,831
Health	34,560	35,310	129,062	93,752	-	(35,310)
Human Services	3,705,676	4,480,364	5,325,346	844,982	4,327,981	(152,383)
BHDDH	4,499,057	10,600,431	9,022,385	(1,578,046)	7,207,286	(3,393,145)
Governor's Commission on Disabilities	2,820	957,271	550,000	(407,271)	1,000,000	42,729
Total	\$8,600,355	\$17,663,376	\$16,092,369	(\$1,571,007)	\$15,447,098	(\$2,216,278)
Education						
Elementary and Secondary Education	\$5,569,420	\$7,861,187	\$11,583,182	\$3,721,995	\$6,246,328	(\$1,614,859)
Public Higher Education	831,096,408	870,592,266	876,296,228	5,703,962	884,097,994	13,505,728
Council on the Arts	819,835	632,536	632,536	-	632,536	-
Atomic Energy Commission	269,195	307,977	307,977	-	357,977	50,000
Higher Education Assistance Authority	8,384,454	9,207,989	8,330,082	(877,907)	8,334,268	(873,721)
Historical Preservation and Heritage Comm.	53,269	1,084,999	248,689	(836,310)	1,970,868	885,869
Public Telecommunications Authority	(14,191)	-	-	-	-	-
Total	\$846,178,390	\$889,686,954	\$897,398,694	\$7,711,740	\$901,639,971	\$11,953,017
Public Safety						
Attorney General	\$408,195	\$50,000	\$241,805	\$191,805	\$300,000	\$250,000
Corrections	3,459,279	17,469,751	8,354,046	(9,115,705)	19,527,438	2,057,687
Judiciary	3,704,271	1,515,000	2,185,283	670,283	1,350,000	(165,000)
Military Staff	2,653,348	3,408,000	3,480,458	72,458	1,390,000	(2,018,000)
Emergency Management Agency	-	-	-	-	167,000	167,000
Public Safety	4,421,763	8,207,227	6,126,450	(2,080,777)	11,502,683	3,295,456
Total	\$14,646,856	\$30,649,978	\$20,388,042	(\$10,261,936)	\$34,237,121	\$3,587,143
Natural Resources						
Environmental Management	\$3,122,199	\$24,949,959	\$12,521,159	(\$12,428,800)	\$20,476,822	(\$4,473,137)
Coastal Resources Management Council	222,281	-	-	-	750,000	750,000
Total	\$3,344,480	\$24,949,959	\$12,521,159	(\$12,428,800)	\$21,226,822	(\$3,723,137)
Transportation						
Transportation	\$134,703,469	\$140,477,915	\$122,740,682	(\$17,737,233)	\$160,653,030	\$20,175,115
Grand Total	\$ 1,775,040,582	\$ 1,880,597,557	\$ 1,909,099,572	\$28,502,015	\$ 1,965,443,788	\$84,846,231

FULL-TIME EQUIVALENT POSITIONS

	FY2014 Enacted	FY2014 Budget	Change to Enacted	FY2015 Budget	Change to Enacted
General Government					
Administration	720.7	720.7	-	710.7	(10.0)
Business Regulation	94.0	94.0	-	94.0	-
Labor and Training	392.0	410.0	18.0	410.0	18.0
Revenue	492.0	492.0	-	505.0	13.0
Legislature	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	-	57.0	-
General Treasurer	83.0	83.0	-	83.0	-
Board of Elections	11.0	11.0	-	11.0	-
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	49.0	49.0	-	50.0	1.0
Total	2,276.7	2,294.7	18.0	2,298.7	22.0
Human Services					
Office of Health and Human Services	184.0	184.0	-	184.0	-
Children, Youth, and Families	670.5	670.5	-	670.5	-
Health	494.1	491.1	(3.0)	491.3	(2.8)
Human Services	959.1	959.1	-	959.1	-
BHDDH	1,423.4	1,422.4	(1.0)	1,422.4	(1.0)
Office of the Child Advocate	6.0	6.0	-	6.0	-
Governor's Commission on the Deaf	3.0	3.0	-	3.0	-
Governor's Commission on Disabilities	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	3.7	3.7	-	3.7	-
Total	3,747.8	3,743.8	(4.0)	3,744.0	(3.8)
Education					
Elementary and Secondary Education	357.4	357.4	-	340.9	-
Public Higher Education	3,471.8	3,470.8	(1.0)	3,496.2	(107.9)
Council on the Arts	6.0	6.0	-	6.0	-
Atomic Energy Commission	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	23.0	23.0	-	22.0	(1.0)
Historical Preservation and Heritage Commission	16.6	16.6	-	16.6	-
Total	3,883.4	3,882.4	(1.0)	3,890.3	(110.9)
Public Safety					
Attorney General	233.1	233.1	-	236.1	3.0
Corrections	1,419.0	1,419.0	-	1,419.0	-
Judiciary	726.3	726.3	-	723.3	(3.0)
Military Staff	117.0	117.0	-	85.0	(32.0)
Emergency Management	-	-	-	32.0	32.0
Public Safety	645.2	634.2	(11.0)	633.2	(12.0)
Public Defender	93.0	93.0	-	93.0	-
Total	3,233.6	3,222.6	(11.0)	3,221.6	(12.0)
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	772.6	752.6	(20.0)	752.6	(20.0)
Higher Education Sponsored Research					
Office of Higher Education	1.0	1.0	-	1.0	-
CCRI	100.0	100.0	-	94.0	35.3
RIC	82.0	82.0	-	82.0	-
URI	593.2	593.2	-	573.8	72.6
Total	776.2	776.2	-	750.8	107.9
Grand Total	15,118.3	15,100.3	(18.0)	15,086.0	(11.0)

Senate Fiscal Office

Stephen H. Whitney

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Susan E. Bernstein

Legislative Fiscal Analyst II

Attorney General
Business Regulation
Corrections
Governor
Judiciary
Legislature
Lieutenant Governor
Public Defender
Public Safety
Revenue
Secretary of State

Laurie J. Brayton

Legislative Fiscal Analyst II

Higher Education
Higher Education Assistance Authority
Public Transit Authority
Transportation

Robert C. Bromley

Senior Legislative Fiscal Analyst

Administration
Board of Elections
Convention Center Authority
Emergency Management
Ethics Commission
General Treasurer
Human Rights Commission
Labor and Training
Military Staff
Public Utilities Commission
Quonset Development Corporation
RI Commerce Corporation

Kelly M. Carpenter

Legislative Fiscal Analyst II

Clean Water Finance
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Narragansett Bay Commission
Resource Recovery Corporation

Lauretta Converse

Deputy Senate Fiscal Advisor

Arts Council
Atomic Energy Commission
Behavioral Health, Developmental Disabilities,
and Hospitals
Historic Preservation and Heritage Commission
Office of Health and Human Services

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Child Advocate
Children, Youth, and Families
Commission on Deaf and Hard of Hearing
Commission on Disabilities
Health
Human Services
Mental Health Advocate