

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2015

Lincoln D. Chafee, Governor

Dedication

*This year's budget documents are dedicated to the
Memory of William V. Golas, Jr.
Sr. Budget Analyst 1987 - 2013*

The image on the cover of this year's budget document is a Winter Scene of the State House from Artist John Pitocco of Providence and is reproduced by permission of the artist in collaboration with the Rhode Island State Council on the Arts.

General Government

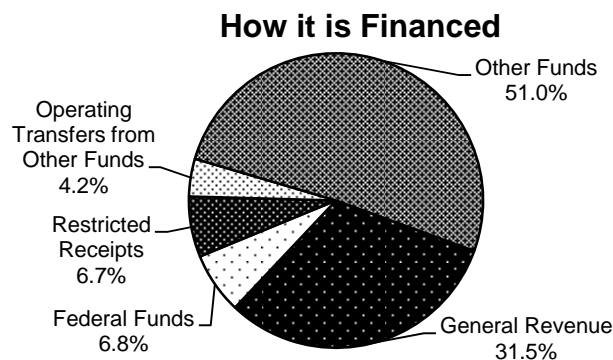
General Government

Summary

General Government includes agencies that provide general administrative services to all other state agencies, and those that perform state licensure and regulatory functions. It includes: most *elected officials*, including the Governor, Lieutenant Governor, General Treasurer, the Secretary of State and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Revenue, the Department of Labor and Training, the Board of Elections and the Commission for Human Rights; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,294.7 FTE positions in the revised FY 2014 Budget and 2,305.7 FTE positions in FY 2015 within general government agencies.

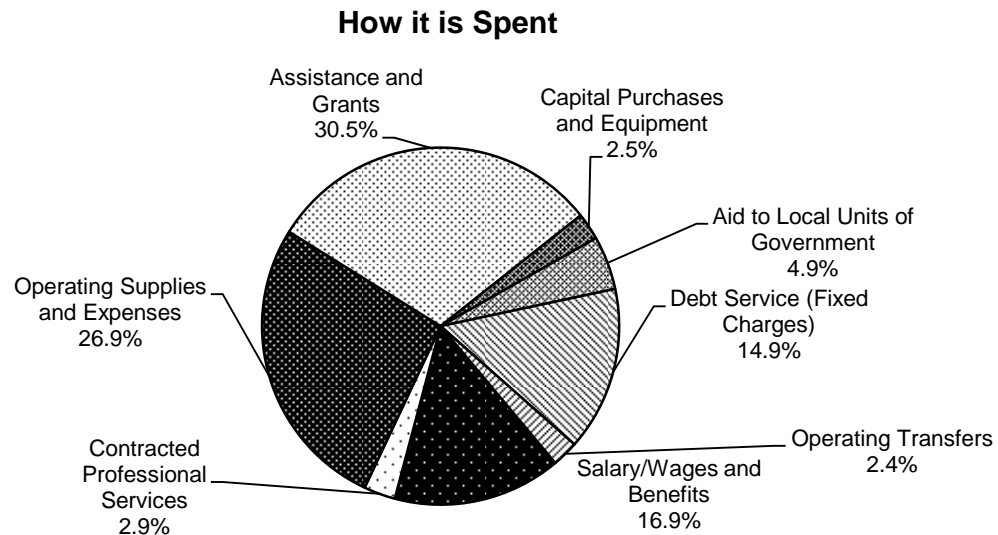
The FY 2014 revised Budget for General Government agencies totals \$1.603 billion, including \$438.9 million in general revenue, \$200.6 million in federal funds, \$123.0 million in restricted receipts, and \$840.8 million in other funds. The revised FY 2014 Budget from all fund sources for General Government agencies is \$115.8 million, or 7.8 percent more than the FY 2014 enacted budget of \$1.487 billion. The largest share of this increase, \$63.6 million, is in other funds and is primarily due to Lottery Commission payments that were not properly accounted for in the enacted budget. Federal funds increase by \$35.2 million, primarily in the Health Benefits Exchange. Of the \$1.603 billion recommended for FY 2014, \$519.9 million is for grants and benefits, \$403.2 million is for operating, \$309.9 million is for personnel, \$73.2 million is for local aid, \$194.7 million is for debt service, \$51.7 million is for capital, and \$50.7 million is for operating transfers.

For FY 2015, the Governor recommends expenditures of \$1.509 billion for General Government programs. The programs are financed with \$475.2 million of general revenue, \$101.9 million of federal funds, \$100.4 million of restricted receipts, and \$832.0 million of other funds. The FY 2015 recommendation for General Government agencies is \$22.0 million, or 1.5 percent, more than the FY 2014 enacted level across all fund sources, but \$93.8 million, or 5.8 percent less than the Governor's FY 2014 revised budget. Federal funds decrease by \$98.6 million due to less funding availability for the Health Benefits Exchange and the in the Unemployment Insurance program due to cessation of federally financed stimulus extended unemployment benefits.



General Government

Of the \$1.509 billion recommended for FY 2015, \$460.0 million is for grants and benefits, \$405.5 million is for operating, \$273.4 million is for personnel, \$73.3 million is for local aid, \$224.5 million is for debt service, \$37.0 million is for capital, and \$35.7 million is for operating transfers. In the Governor's FY 2015 Budget, the General Government function represents 17.5 percent of the total budget for Rhode Island.



General revenue financing for General Government agencies in FY 2015 increases by \$34.8 million, or 7.9 percent, from the FY 2014 enacted appropriations. The increase is largely attributable to the Department of Administration, which increases by \$30.8 million above the FY 2014 enacted budget, mostly in the debt service category to reflect new general obligation bond offerings, and also to implement the initiative of the Governor to relieve gas-tax financed debt service for transportation projects by shifting to general revenue-financed debt service. General revenue increases by \$1.3 million in the Department of Revenue, attributable to provision of financing for 10.0 FTE positions in the Customer Service division of the Division of Motor Vehicles towards diminishing wait times for visitors to the Registry during staff training while the modernization system (RIMS) is implemented. The Governor provides an additional \$500,000 to a total of \$1.4 million in the Department of Labor and Training's Workforce Development Services program, for initiatives that will better prepare unemployed workers for the workforce. The Governor provides an additional \$2.4 million in the Board of Elections for public financing of the November 2014 elections and funding for new voting booths that will alleviate wait times at polling stations.

In FY 2015, federal funds recommended in General Government agencies decrease by \$63.5 million, or 38.4 percent, from the FY 2014 enacted level. The change is attributable to: the Department of Labor and Training, where the Governor recommends a decrease of \$54.8 million due to expiring extended federal stimulus unemployment compensation; Department of Administration's 'HealthSource RI' (the Health Benefit Exchange) where the Governor decreases consultant expense by \$4.9 million no longer required now that the program is underway; the Lieutenant Governor's Office, where \$969,380 is removed due to end of a modeling grant from the Center for Medicare and Medicaid Innovation; and; \$260,084 in the General Treasury to align expected disbursements to Victim's of Crime with available federal resources.

General Government

Recommended FY 2015 restricted receipts decrease by \$4.2 million, or 4.0 percent from the FY 2014 enacted level, which includes decreases of \$2.9 million for the Department of Labor and Training and \$1.7 million less for Administration, offset by \$278,263 more for the Public Utilities Commission and \$137,452 more for the General Treasury. The decrease in Labor and Training restricted receipts reflects available resources in the Job Development Fund reflecting current service levels expected for the account. The decrease in restricted receipts in Administration reflects project financing levels in the IT Investment Fund, based on expected collections from sale of state land. In the Public Utilities Commission, the increase in restricted receipts, from \$8.3 million to \$8.5, million reflects expected availability of billed revenue from the utilities it regulates, to be used to maintain current operational levels. In Treasury, the increase in restricted receipts corresponds to available court fees to pay victim of crime payouts to offset a recent trend of reduced federal dollars for that purpose.

Other funds recommended in FY 2015 increase by \$54.8 million or 7.1 percent, to a total of \$832.0 million, from the FY 2014 enacted level of \$777.2 million. This change includes a decrease of \$25.3 million for the Department of Labor and Training due to expected levels of financing from the federal government for the Unemployment Insurance program due to the end of federal stimulus funds for extended benefits. In the Department of Revenue, an increase of \$97.1 million relates to projected increase in Lottery collections, which has a corresponding increase on Lottery expenditures in addition to financing for table-gaming, approved by the voters in November, 2012 and instituted at Twin River in July, 2013. The other funds decrease of \$16.5 million in the Department of Administration relates to adjustments to Rhode Island Capital Plan Fund financing for various projects under its purview, offset by reductions in debt service for Department of Transportation debt, which is proposed to be funded with general revenue beginning in FY 2014.

General Government

Department of Administration

The Governor's revised FY 2014 Budget for the Department of Administration is \$448.0 million, including \$262.1 million in general revenue, \$90.5 million in federal funds, \$15.8 million in restricted receipts, \$72.0 million in operating transfers from other funds, and \$7.6 million in other funds. This represents an all funds increase of \$19.3 million from the enacted FY 2014 Budget of \$428.7 million, which is primarily attributable to increased federal funds to support the Rhode Island Health Benefits Exchange (HealthSource RI).

Of the all funds increase of \$19.3 million, general revenue expenditures decreased by \$2.7 million. This can be attributed to utility cost savings of \$1.5 million and debt service savings of \$3.2 million. The revised FY 2014 Budget includes FY 2013 re-appropriations totaling \$897,602 for contract obligations within the Division of Human Resources and the Division of Planning. It also includes a carry-forward balance of \$674,679 for costs associated with the I-195 Redevelopment District Commission. The utility and debt service savings are offset by several initiatives in the department. First, \$500,000 is budgeted in Central Management for a classification system and compensation study to improve the State's current deficient systems. Second, \$180,000 is budgeted in the Office of Digital Excellence for "Code for America" contracted services to develop a knowledge portal for the K-12 education space, which will be matched with private funds. Third, \$160,000 is budgeted in Division of Purchasing for procurement process improvements. This includes \$75,000 for IT related work for the new "public copy" law for all public works procurements, \$60,000 for legal services to improve efficiencies with legal review of procurements, and \$25,000 for a Lean Process Improvement initiative. Finally, \$300,000 is budgeted in Division of Legal Services for legal counsel representation for union negotiations with State Police and state employees.

Within debt service, general revenue expenditures decrease by \$3.2 million from \$157.4 million to \$154.2 million. This includes savings on the issuance of new general obligation bonds, compared to projected interest costs, of \$310,988; savings of \$2.0 million due to the delay in the issuance of new debt for the historic structures tax credit program; savings of \$105,417 from a refunding of Convention Center Authority debt; \$120,000 due to lower than anticipated job rent credits earned by Fidelity Investments, and savings of \$652,000 based on projected interest costs on the debt issuance related to the acquisition of land made available from the relocation of I-195.

The revised FY 2014 Budget reflects an increase of \$28.3 million in federal funds, which is attributable to additional federal funding to support the Rhode Island Health Benefits Exchange (HealthSource RI). The majority of the \$24.1 million increase in federal funds for the Exchange will be used for contracted professional services to assist with start-up costs necessary to make sure the Exchange successfully launches in FY 2014. The revised FY 2014 Budget also includes an additional ten (10.0) FTE positions to support operations. This includes 1.0 Administrative Assistant, 1.0 Assistant Director of Special Projects, 1.0 Chief Data Operations, 1.0 Chief Information Security, 1.0 Community Services Coordinator, 1.0 Fiscal Management Officer, 1.0 Director Policy and Programs, 1.0 Information Technology Project Manager, 1.0 Insurance Rate Analyst, and 1.0 Supervisor Financial Management and Reporting.

The Governor's recommended FY 2015 Budget is \$432.5 million in all funds, which includes \$295.6 million in general revenue, \$53.5 million in federal funds, \$14.2 million in restricted receipts, \$60.7 million in operating transfers from other funds, and \$8.6 million in other funds. This represents a net all funds increase of \$3.8 million compared to the enacted FY 2014 Budget. Compared to the enacted FY

General Government

2014 Budget, general revenue expenditures increase by \$30.8 million, federal funds decrease by \$8.7 million, restricted receipts decrease by \$1.7 million, operating transfers from other funds decrease by \$18.0 million, and other funds increase by \$1.5 million.

Of the net all funds increase of \$3.8 million, general revenue expenditures increase by \$30.8 million. This can be attributed to a general revenue debt service increase of \$30.2 million, which is discussed in further detail below. There are several notable general revenue initiatives included in the Department's FY 2015 Budget. First, beginning in FY 2015, the Office of Diversity, Equity, and Opportunity is established as an executive division as part of the Department's recommendations charged by Governor Chafee's Executive Order 13-5 "Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island." This new division will meld the existing sub-programs in Human Resources and Purchasing while adding three (3.0) FTE positions, which includes a senior level director.

Second, an additional \$850,000 is included to the Rhode Island Economic Development Corporation, which was recently re-branded "Commerce RI." The additional funds include \$75,000 for a Creative and Cultural Economy Coordinator who will be responsible for coordinating and monitoring the State's overall economic development efforts in the creative and cultural economy. The additional funds also include \$775,000 to support the May 2015 Volvo Ocean Race in Newport, which is an international sailing competition and will build on a positive economic experience with the America's Cup World Series in 2012 hosted in Newport.

Third, general revenues totaling \$45,000 in the Division of Purchasing will be used to support IT related work relating to the new "public copy" law for all public work procurements and to use Lean Process Improvement to improve efficiencies with statewide procurements. Finally, general revenues are budgeted in Accounts and Control to support a new online payroll system for state employees that use direct deposit totaling \$60,000.

In FY 2015, debt service general revenue expenditures increase by \$30.2 million compared to the enacted FY 2014 Budget of \$157.4 million. This increase is comprised of a number of changes. For general obligation debt, savings from the annual pay down of debt totals \$961,270. This is offset by increased funding of \$2.7 million for the new bond issuance in October 2013; \$1.8 million for projected debt service on the bond issuance planned for FY 2015; and a shift of an additional \$10.0 million, for a total of \$19.3 million, in transportation debt-related debt service from gas tax funding under the Department of Transportation to general revenue. For certificates of participation debt, there is a net increase of \$138,069, comprised of year over year savings on outstanding debt of \$3.5 million primarily due to a refinancing completed in April 2013, offset by an increase of \$3.6 million for projected new issuance for FY 2015. Other debt service changes include: 1) increased costs on outstanding historic structures tax credit debt of \$23,015; 2) increased costs of \$10.3 million for proposed new issuance of debt for the historic structures tax credit program; 3) savings of \$120,000 related to job rent credits earned by Fidelity Investments; 4) savings of \$652,000 related to the I-195 land acquisition; and 5) additional funding of \$9.8 million, for a total of \$12.3 million, for the EDC Job Creation Guaranty program to restore funding to the 38 Studios Capital Reserve Fund, as required under the State's moral obligation.

Of the federal funds decrease of \$8.7 million, a decrease of \$4.9 million in federal funds is attributable to the Rhode Island Health Benefits Exchange, which is branded "HealthSource RI". This is a result of a decrease in contracted professional services that were necessary in FY 2014 for associated start-up costs. The FY 2015 Budget as proposed does not include general revenue funding as it is assumed that federal resources will be available through FY 2015.

General Government

In October 2013, the Division of Planning was awarded an additional \$16.0 million to assist the Rhode Island recovery from Hurricane Sandy in October 2012 and to protect Rhode Island from future storms. The State had previously been awarded \$3.24 million, which makes overall total funding for the award \$19.2 million and will report to HUD (U.S. Department of Housing and Urban Development) under a single Hurricane Sandy Action Plan. The funding will also support an additional 1.0 FTE position to monitor and coordinate the sub-awarding and use of grants. The FY 2015 Budget includes \$2.0 million of the additional \$16.0 million in federal funds available, with the balance to be expended in future years.

The Governor recommends a 720.7 FTE position authorization in the revised FY 2014 Budget, which is no change from the enacted FY 2014 Budget. The revised FY 2014 Budget includes an additional 10.0 FTE positions for the Rhode Island Health Benefits Exchange (HealthSource RI) to support operations and 3.0 FTE positions for the Internal Service Fund Central Mail program to support the anticipated increased volume with the UHIP (United Health Infrastructure Project) implementation.

For FY 2015, the Governor recommends a 723.7 FTE position authorization. This includes an additional 3.0 FTE positions for the new executive division of the Office of Diversity, Equity, and Opportunity. The Division of Planning also includes 1.0 Principal Planner for the monitoring and coordinating of federal Hurricane Sandy recovery funds. The position will be funded by the Hurricane Sandy federal award and will be eliminated once all funding is exhausted.

Department of Business Regulation

The Governor recommends a revised FY 2014 Budget of \$14.7 million, including \$8.8 million in general revenue, \$4.0 million in federal funds, and \$1.9 million in restricted receipts for the Department of Business Regulation. All funds increase by \$1.7 million from the FY 2014 Enacted Budget. The increase is largely attributed to a \$2.1 million federal fund increase in the restoration of the Exchange Establishment One and the inclusion of the new Rate Review Cycle III federal grants. The Exchange Establishment One grant was originally planned to be transferred to the Health Benefits Exchange (HBE) under the Department of Administration; however, since federal regulations stipulate that all funds must be frozen for a period after the transfer, HBE requested that the grant remain in the Department of Business Regulation to avoid payment delays. The Governor also provides partial-year financing for the four new positions in the Office of the Health Insurance Commissioner for the new Rate Review Cycle III grant in the FY 2014 Revised Budget.

For FY 2015, the Governor recommends \$13.0 million, including \$9.0 million in general revenue, \$2.0 million in federal funds, and \$1.9 million in restricted receipts. All funds decrease by \$13,450, of which general revenue decreases \$232,401, from the FY 2014 enacted level. General revenue-financed personnel expenditures decrease \$133,293, compared to the FY 2014 enacted level, attributed to additional turnover savings and rate changes in certain benefits; operating costs decrease by \$99,108 mostly due to shifting eligible costs to restricted receipts accounts. In federal funds, an increase of \$274,241 from the FY 2014 Enacted Budget is attributed to various net changes including an increase in financing for the new Rate Review Cycle III federal grant, offset by the expiration of the Exchange Establishment One grant.

The Governor recommends an authorization of 94.0 FTE positions per year for FY 2014 and FY 2015, unchanged from the FY 2014 Enacted Budget.

General Government

Department of Labor and Training

The Governor recommends a revised FY 2014 Budget of \$587.6 million for the Department of Labor and Training, including \$9.0 million in general revenue; \$99.1 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$40.0 million, \$14.5 million in Unemployment Insurance Administration funds and \$15.0 million in Workforce Investment Act funds; \$55.2 million in restricted receipts; \$1.4 million in Rhode Island Capital Plan Fund (RICAP) financing; and \$423.2 million in other funds. The revised Budget reflects a total decrease of \$4.5 million, primarily attributable to a \$19.9 million reduction in assistance and grants for Unemployment Insurance and a \$17.5 decrease in Unemployment Insurance debt service. These reductions are offset by increases of \$3.2 million in personnel, \$6.6 million in contract services for Income Support, \$10.2 million in Workforce Development Services assistance and grants, \$3.3 million for capital purchases, and \$9.1 million in operating transfers.

General revenue in the revised FY 2014 Budget decreases by \$16,042. The immaterial change includes a \$153,461 increase in personnel and a \$174,463 decrease in assistance and grants, which is primarily attributable to shifting Workforce Development Initiative funds from grants to personnel for the administration of the new program. Operating costs increase by \$16,004, primarily attributable to a \$14,992 increase in the Workforce Regulation and Safety program. Capital purchases decrease by \$9,447, attributable to reductions in the Workforce Regulation and Safety program, and contract services decrease by \$1,597.

The revised FY 2014 Budget reflects a \$3.3 million increase in federal funding. Federal funds for the Income Support program increase by \$7.1 million for information technology contract services and \$1.5 million for capital computer equipment purchases for the development and implementation of a new Unemployment Insurance tax and benefit program computer processing system as part of the federal Information Technology Consortium project for Unemployment Insurance. Federally financed Extended Unemployment Compensation assistance and grants decrease by \$14.9 million as a result of revised Labor Market Information projections and the cessation of these benefits on December 31, 2013. Personnel costs financed by federal funds increase by \$2.0 million, primarily attributable to a \$1.8 million increase for Unemployment Insurance Administration.

Workforce Development Services federal funds for assistance and grants within the Job Training Partnership Act and other training programs increase by \$6,568,688, including a \$4.1 million increase in Workforce Investment Act funds, a \$1.4 million increase in Trade Readjustment Act funds, a \$580,917 increase in the Workforce Innovation Fund and a \$254,813 increase in Data Quality Initiative funds. Federally financed personnel costs in the Workforce Development Services program decrease by \$130,702 due to turnover and contract services decrease by \$140,024 to align them with historical expenditures. Capital purchases increase by \$301,838 to replace computers at netWORKri offices throughout the state. Operating transfers to Higher Education facilities increase \$236,811, consisting of \$122,547 in additional Workforce Investment Act funds and \$114,264 in Trade Readjustment Act funds.

FY 2014 Human Resource Investment Council restricted receipt financed grants in the Workforce Development Services program increase by \$3.7 million from the FY 2014 enacted budget. The increase is due to funds carried forward from FY 2013 that were awarded but not spent by the end of the fiscal year. Rhode Island Capital Plan Fund resources in Central Management increase by \$664,481, including \$751,415 in unspent funds carried forward from FY 2013 to complete Center General Building roof repairs, partially offset by an \$86,931 decrease for various Center General Building asset protection projects. The revised FY 2014 Budget reduces the budget for payment to the federal government for the Unemployment Insurance

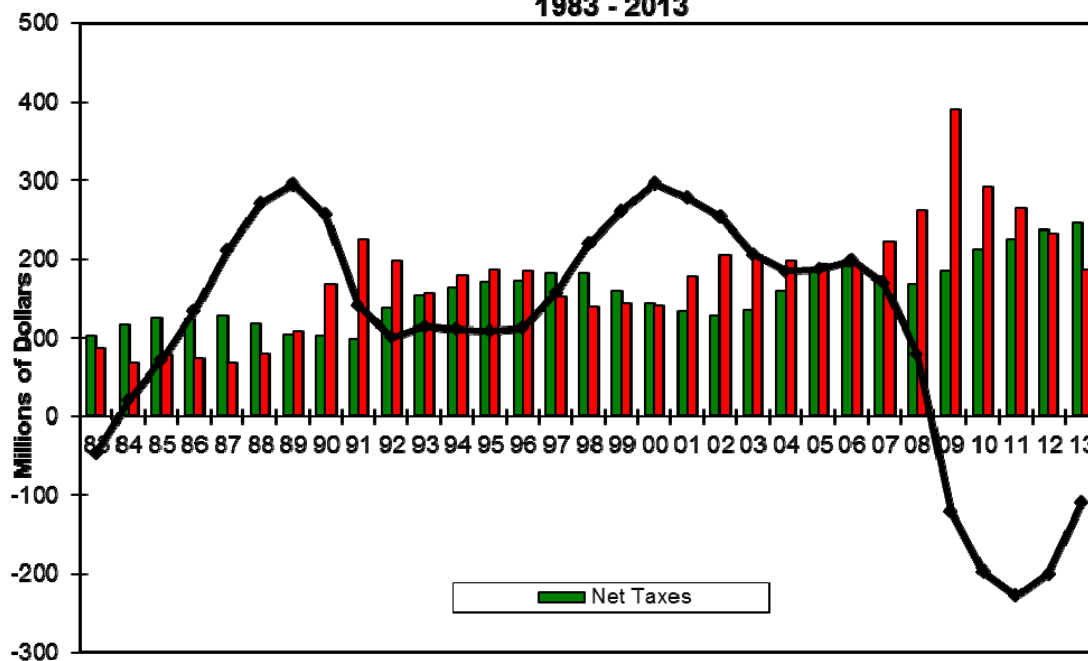
General Government

loan by \$15.0 million, equal to the principal portion of the payment, because this portion of the payment is processed as a revenue transfer rather than an expenditure.

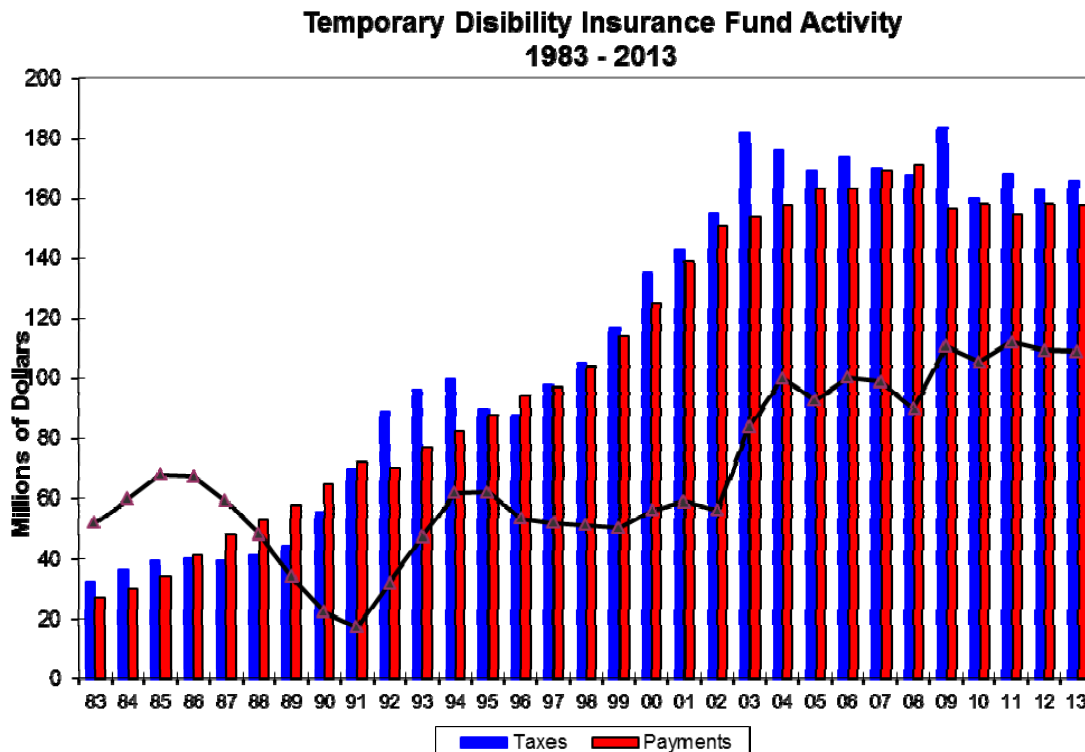
The Governor recommends a FTE position authorization of 410.0 FTE positions for FY 2014 for the Department of Labor and Training, reflecting an 18.0 FTE position increase from the FY 2014 enacted level. The increase is attributable to required staffing of new programs, including 3.0 FTE positions to administer the Back to Work RI initiative and 7.0 FTE positions to administer the Temporary Caregiver Insurance program, as well as 7.0 FTE positions for the Unemployment Insurance call center and 1.0 FTE position for a Medical Records Technician in the Injured Workers Services program. The \$3.2 million increase in personnel expenses throughout the agency results from the requested 18.0 FTE position increase. The requested increase is partially offset by \$338,733 in turnover.

The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. In both graphs, 2013 data is based on actual data through November and estimated data for December. It should be noted that Rhode Island's Employment Security Fund is slowly recovering, but remains negative due to the state's high unemployment rate. As of the end of calendar year 2013, the Employment Security Trust Fund is projected to have a negative balance of \$109.0 million. This balance represents an Unemployment Insurance increase of \$90.1 million (54.8 percent). The 2013 TDI Trust Fund balance of \$109.0 million represents a \$0.3 million (0.3 percent) decrease from 2012.

**Unemployment Insurance Fund Activity
1983 - 2013**



General Government



For FY 2015, the Governor recommends \$510.8 million for the Department of Labor and Training, including \$9.2 million in general revenue, \$42.2 million in federal funds, \$40.3 million in restricted receipts, \$2.0 million in Rhode Island Capital Plan Fund financing and \$417.2 million in other funds. The Governor’s recommendation reflects a decrease of \$81.7 million from the FY 2014 enacted Budget, and includes \$117,542 more general revenue, \$53.5 million less federal funds, including a \$54.8 million reductions in Stimulus – Extended Unemployment due to the cessation of funds in FY 2014, a \$2.9 million decrease in restricted receipts, \$1.3 million more from the Rhode Island Capital Plan Fund and \$26.7 million less in other funds.

General revenue increases are primarily attributable to a \$411,269 increase in Workforce Development Services due to the addition of \$245,093 in personnel costs to administer the Workforce Development Initiative and a \$166,176 increase in Workforce Development Initiative grants. Incorporated in this increase is \$500,000 in additional funds for the Governor’s Workforce Development Initiative originally enacted in FY 2014 with \$1.25 million. This increase is partially offset by a \$281,492 decrease in Workforce Regulation and Safety personnel costs resulting from turnover. Personnel for the administration of Police and Firemen’s Relief increases by \$18,329, consistent with historical expenditures, while benefit payments remain level with the FY 2014 enacted budget.

The FY 2015 Budget reflects a \$63.0 million decrease in assistance and grants, due to the cessation of federally financed Stimulus – Extended Unemployment benefits and a \$31.0 million decrease in Unemployment Insurance benefit payments from other funds. These decreases are partially offset by a \$20.0 million increase for the addition of Temporary Caregiver Insurance benefits from other funds. Workforce Development Services federal funds for assistance and grants increase by \$1.2 million, attributable to a \$1.2 million increase in Job Training Partnership Act and other training programs. Personnel increases by \$1.9 million, resulting from increased program administration needs. The

General Government

personnel increase is mitigated by \$1.4 million in turnover. Income Support information technology contract services increase by \$1.5 million and capital computer purchases increase by \$1.5 million for the development and implementation of a new Unemployment Insurance tax and benefit program computer processing system as part of the federal Information Technology Consortium project for Unemployment Insurance.

The FY 2015 Budget includes \$5.0 million for payment to the federal government for the Unemployment Insurance loan for federal funds borrowed to finance the state's Unemployment Insurance obligations, reflecting a \$17.5 million decrease due to the principal portion being processed as a revenue transfer rather than as an expenditure. In capital expenses, a \$1.3 million increase from the Rhode Island Capital Plan Fund results from the addition of \$505,996 to complete the Center General roof replacement, as well as a \$798,000 increase for asset protection.

The Governor recommends a FTE position authorization of 410.0 FTE positions for FY 2015 for the Department of Labor and Training, reflecting an 18.0 FTE position increase from the FY 2014 enacted level.

Department of Revenue

The Governor's revised FY 2014 Budget for the Department of Revenue is \$445.5 million, including \$101.2 million in general revenue, \$4.0 million in federal funds, \$4.0 million in restricted receipts, \$606,750 in operating transfers from other funds, and \$335.8 million in other funds. This represents an all funds increase of \$92.1 million from the enacted FY 2014 Budget of \$353.4 million.

The all funds increase is primarily due to Lottery Division commission payments to Twin River Casino for Table Games that were not included in the enacted budget, which will total an estimated \$67.2 million in FY 2014 based on projected revenues as determined at the November 2013 Revenue Estimating Conference. These commission payments were accounted for when estimating the net transfer to the General Fund, so there is no impact to previous revenue estimates. The increase is also due to a revised estimate of lottery commission and prize expenditures for non-casino operations, which total \$246.9 million and an increase of \$19.6 million from the enacted budget.

The revised FY 2014 Budget reflects an increase of \$962,099 in federal funds, which is the result of the Division of Motor Vehicles using federal grant resources to fund specific federally mandated initiatives as part of the DMV RIMS capital project (Rhode Island Modernization System). The project will upgrade the information technology systems at DMV locations. Restricted receipts will be used to finance the project. The restricted receipts are generated through the customer surcharge on DMV transactions, which are used to pay off the debt service on the project and will be used to finish financing the project.

Of the all funds increase of \$92.1 million from the enacted budget, general revenue expenditures decreased by \$855,205. The revised FY 2014 Budget includes FY 2013 re-appropriations totaling \$153,396, which includes an \$86,396 obligation to the City of Providence for the Property Tax Statistical Revaluation Reimbursement Program under State Aid and a \$66,000 Division of Motor Vehicles FY 2013 obligation for payment to NADA for data services. The general revenue decrease from the enacted to the revised FY 2014 Budget is primarily due to increased turnover and projected personnel savings in the Director of Revenue's Office, Division of Municipal Finance, and Division of Taxation. It also includes reductions of professional contracted services in the Division of Municipal Finance, which resulted from less than anticipated outside legal counsel work relating to distressed communities and less

General Government

than anticipated actuary services for the OPEB Study Commission. The increased turnover, projected personnel savings, and consultant reductions from these divisions were used to increase personnel funding at the Division of Motor Vehicles. The increase supports an additional FTE position, a Chief of Information and Public Relations, and overtime costs related to the implementation of the DMV RIMS capital project.

The Governor's recommended FY 2015 Budget is \$450.6 million in all funds, which includes \$102.5 million in general revenue, \$2.9 million in federal funds, \$1.8 million in restricted receipts, and \$343.3 million in other funds. This represents an all funds increase of \$97.1 million from the enacted FY 2014 Budget. Compared to the FY 2014 enacted budget, general revenue expenditures increase \$1.3 million, federal funds expenditures decrease \$100,065, restricted receipts decrease \$6,900, operating transfers from other funds decrease \$150,000, and other funds increase \$97.1 million. The other funds increase of \$97.1 million is attributable to Lottery Division commission payments to Twin River for Table Games, which was similar to the revised FY 2014 Budget. These commission payments were accounted for when estimating the net transfer to the General Fund, so there is no impact to previous revenue estimates.

The increase in general revenue expenditures of \$1.3 million from the enacted FY 2014 Budget is primarily a result of an increase in personnel costs for both the Division of Motor Vehicles and the Division of Taxation. The Division of Motor Vehicles will be coordinating staff training with Hewlett-Packard (HP) to implement the DMV RIMS capital project. The additional personnel costs will finance the hiring of 10.0 already authorized Customer Service Representative II FTE positions to ensure current gains in DMV customer wait times do not diminish while current staff commences with DMV RIMS training. As the Customer Service Representative positions have a high turnover rate, the current staffing levels will be maintained through attrition after training is complete. The Division will create operational savings by moving all printing and mailing of renewal notice forms to the State's Central Mailroom in Warwick. This initiative is expected to take place in FY 2014 with full annualized savings of approximately \$70,000 to begin in FY 2015.

The Division of Taxation includes additional personnel costs to finance 7.0 new Revenue Officer I FTE positions, which will generate approximately \$900,000 each in additional revenues. This estimate is based on the revenue collections of the previous 13 Revenue Officer positions hired. The Department will also finance the increase of personnel costs through turnover in the Director of Revenue's Office and the Division of Municipal Finance, which is consistent with the revised FY 2014 Budget. This also includes reductions for professional contracted services costs in the Division of Municipal Finance that are projected to be less than anticipated for distressed communities and the OPEB Study Commission.

The Governor recommends 492.0 FTE positions in FY 2014, which is no change from the enacted FY 2014 Budget. For FY 2015, the Governor recommends 499.0 FTE positions, which includes 7.0 Revenue Officer I positions in the Compliance and Collections Program in the Division of Taxation.

Legislature

The Governor's revised FY 2014 Budget for the Legislature totals \$40.2 million, including \$38.7 million in general revenue and \$1.6 million in restricted receipts. The general revenue recommendation is an increase of \$2.5 million above the FY 2014 enacted amount, reflecting about half of the \$4.7 million reappropriation from FY 2013 as requested in the Legislature's budget submission. Restricted receipts for audits of federal programs decrease by \$36,615 from the FY 2014 enacted amount to a total of \$1.6 million based on expected collections and expenditures from the 0.05 percent fee on all federal cash receipts.

General Government

In FY 2014, salary and benefit financing totals \$31.7 million, or \$284,810 less than the FY 2014 enacted level. The decline in personnel financing occurs mostly in the Legislative Council and Joint Committee on Legislative Services programs attributable to constrained hiring in these programs and removal of \$209,428 for medical benefit and retiree health insurance statewide savings in the current year. Consultant expense increases by \$721,500, from \$577,850 in the Enacted Budget to \$1.3 million in the FY 2014 Revised Budget, operating expense increases by \$988,215, from the enacted level of \$2.7 million to \$3.7 million, and capital expense increases by \$648,800, from \$269,500 to \$918,300 in the Governor's FY 2014 Revised Budget, attributable to on-going technical and information system improvements throughout the Legislature. The improvements include bill tracking software systems, website upgrades, information transparency enhancements, improvements to firewalls and other protective features, and conversion of broadcast environments from analog to digital platforms, in addition to typical operating and capital expense requirements of the several offices that comprise the Legislature. The total amount for these upgrades in the current year is \$2.4 million, which uses the bulk of the reappropriation from FY 2013 to FY 2014. Special legal counsel also increases by \$40,000 to a total of \$95,000 to complete payments in the current year associated with a legal challenge to legislative district boundaries, which were reconfigured by the 2010 redistricting project.

For FY 2015, the Governor recommends \$38.0 million, including \$36.4 million in general revenue and \$1.6 million in restricted receipts. The recommendation is an increase of \$242,738 from the FY 2014 enacted amount for general revenue, offset by a reduction of \$17,536 in restricted receipts in comparison to the enacted amount. The general revenue increase is largely in the personnel category, reflecting salary and associated benefit growth of \$398,631, offset by statewide savings in medical and retiree health insurance totaling \$209,058. Consultant expenses decreases by \$135,000 in FY 2015 in comparison to the FY 2014 enacted amount, attributable to completing programming and IT system support requirements, and the end of special legal counsel requirements. Operating expense returns to historical levels as most information and data systems improvements will be complete. Capital expense is provided in the amount of \$247,500, a reduction of \$16,000 from the FY 2014 enacted amount, again reflecting completion of several technological improvements throughout the Legislature, while still providing financing for computer and office equipment purchases. Legislative grants are recommended in the amount of \$2.6 million in FY 2014, reflecting a balance forward of \$356,964 in unspent grants from FY 2013. Grant financing in FY 2015 in the amount of \$2.3 million is the same as the original FY 2014 enacted amount.

The Governor recommends 298.5 FTE positions in FY 2014 and FY 2015, the same as the enacted Budget authorization for FTE positions in the Legislature.

Office of the Lieutenant Governor

The Governor's revised FY 2014 Budget for the Office of the Lieutenant Governor is \$2.7 million, consisting of \$946,501 in general revenue, \$1.6 million in federal funds and \$135,000 in restricted receipts. The FY 2014 Revised Budget consists of \$1.4 million for contract services, \$1.1 million for personnel, \$100,000 for assistance and grants, \$10,970 for operating expenses, and \$8,404 for capital purchases. Personnel costs decrease by \$21,590 as a result of revised medical insurance and retiree health benefit calculations, and reflect a shift of approximately \$35,000 from general revenue to Exchange Establishment One Grant federal funds due to a revised allocation methodology. Federal Center for Medicare and Medicaid Innovation (CMMI) Model Grant Award federal funds increase \$462,913 to reflect the use of unspent FY 2013 funds. This grant was awarded to explore healthcare payment and

General Government

delivery reform and consists primarily of management consultant expenses and computer equipment purchases.

The Governor's FY 2014 recommendation adds \$135,000 in restricted receipts for funds received in December of 2011 as part of Rhode Island's award from the Robert Wood Johnson Foundation's State Health Reform Assistance Network, which had not yet been appropriated. These funds include \$100,000 to be transferred to the Department of Human Services for Medicaid benefits and \$35,000 that will be used by the Lieutenant Governor's office to provide communication services to the state regarding health reform issues, provide staff training, purchase technology equipment for staff and cover travel expenses related to healthcare reform conferences.

For FY 2015, the Governor recommends a budget of \$1.1 million, \$1.0 million less than the FY 2014 enacted budget, consisting of \$1.0 million in general revenue and \$74,350 in Exchange Establishment One Grant federal funds. The FY 2015 budget reflects a \$969,380 decrease in CMMI State Innovation Model Grant Award federal funds due to the cessation of this grant in FY 2014. Additionally, Exchange Establishment One Grant federal funds expire on December 31, 2014, resulting in a \$64,758 decrease. Personnel costs decrease \$60,042 due to the defunding of the Health Policy Director upon the cessation of Exchange Establishment One Grant funds. Election of a new Lieutenant Governor in FY 2015 necessitates transition costs, totaling \$25,000, financed by general revenue.

The Governor recommends 8.0 FTE positions in revised FY 2014 and 8.0 FTE positions in FY 2015, the same as the enacted FY 2014 level.

Secretary of State

The Governor's revised FY 2014 Budget for the Secretary of State is \$7.0 million, including \$6.5 million in general revenue, \$50,163 in federal funds, and \$481,597 in restricted receipts. General revenue decreases by \$20,264. Effective Absentee Systems for Elections (EASE 2.0) federal funds totaling \$50,163 are added to ensure successful, sustainable and effective methods to improve voting systems for voters protected by the federal Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA); to increase the percentage of ballots returned by UOCAVA voters; and to collect and analyze the effectiveness of absentee voting procedures and systems for UOCAVA voters. Historical Records Trust restricted receipts increase by \$56,482 due to increased revenue projections. Additionally, Visitor Center Fund restricted receipts increase by \$8,431, and will be used to maintain inventory and finance operations of the State House Visitors Center.

The personnel budget increases \$21,132 from the FY 2014 enacted level. The increase is primarily attributable to hiring a Deputy Public Information Officer in lieu of an Administrative Assistant in the Office of Public Information. The resulting increase is partially offset by turnover savings achieved by leaving the Director of Elections and Civics vacant for the entirety of FY 2014 and due to a vacancy in an Administrative Assistant position in the Elections and Civics program. Contract services within the Office of Public Information increase by \$12,000 to commence the implementation of a new Lobby Tracker Module.

Available Historical Records Trust restricted receipt collections have been projected to increase by \$56,482 from the enacted projection. The increase in available funds is primarily evident in the State Archives operating budget and resulted in a \$60,564 decrease in the general revenue share of property rental for the 337 Westminster Street facility in Providence. The budget also includes \$866,291 in Record

General Government

Center Internal Service Funds, a \$3,166 decrease from the FY 2014 enacted budget.

For FY 2015, the Governor recommends \$7.9 million for the Secretary of State, including \$7.3 million in general revenue and \$529,752 in restricted receipts. The recommendation reflects a \$914,191 increase from the FY 2014 enacted budget, including an \$839,370 increase in general revenue and a \$74,821 restricted receipt increase. The general revenue increase is primarily attributable to the November 2014 General Election; election related expenses total \$635,650, including increases of \$535,550 for printing, \$70,100 for postage and postal services and \$30,000 for legal expenses.

In the Administration program, the election of a new Secretary of State in FY 2015 necessitates budgeting for transition costs, totaling \$25,000, financed by general revenue. The recommendation reflects \$49,352 in anticipated turnover related to the transition period, in addition to \$37,577 for a half year vacancy in the Director of Elections and Civics position. The Office of Public Information's information technology budget increases by \$124,000, including \$24,000 to complete the implementation of the Lobby Tracker Module and \$100,000 for a new Rules and Regulations database. Office of Public Information printing expense increases by \$14,045 for its bi-annual printing of the RI Owner's Manual.

Consistent with the FY 2014 revised budget recommendation, projected increases in Historical Records Trust restricted receipt collections will result in a \$64,821 increase from the FY 2014 enacted projection; the increase in available funds will be used to offset \$62,439 in the general revenue portion of the State Archive's property rental payment. Visitors Center Fund restricted receipts increase by \$10,000 due to increased projected collections. The budget also includes \$882,436 in Record Center Internal Service Funds, a \$12,979 increase from the FY 2014 enacted budget.

The Governor recommends 57.0 FTE positions in revised FY 2014 and FY 2015, consistent with the enacted FY 2014 authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2014 Budget of \$39.3 million for the Office of the General Treasurer, including \$2.6 million in general revenue, \$851,029 million in federal funds, \$35.6 million in restricted receipts, and \$210,277 in other funds. The Revised Budget for all funds is an increase of \$3.9 million from the enacted level, mostly attributable to restricted receipts, which increase in the Unclaimed Property program based on an increase in collection recoveries in the current year, with a corresponding increase in claim payouts.

The Governor provides personnel financing for the 83.0 FTE positions assigned to the agency in the combined amount of \$8.5 million in the FY 2014 revised recommendation. The financing is \$264,740 less than the enacted level for personnel, largely reflecting reduced offsets to the Retirement Program from other units within Treasury, and to department-wide constrained hiring.

The Governor's revised FY 2014 Budget for consultant expenses in the Defined Benefit sub-program in the Retirement Division increases by \$2.7 million for first year financing for a new pension administration system to replace the out-dated Anchor System. This increase is offset by a corresponding decrease of \$3.0 million in capital expenditures in the current year. The new system will be phased-in over several years, in part to ensure adequate operational support during and after implementation, and to conform to annual administrative financing constraints set in law for the Employees' Retirement System of Rhode Island. The new system will provide significant improvement in payroll processing, member

General Government

benefit determinations, and services to active and retired members.

The Unclaimed Property Program's payouts increase by \$1.7 million to \$10.1 million in comparison to the enacted value of \$8.5 million, reflecting year-to-date property claims. The annual transfer of revenues to the State's general fund increases in the Governor's revised recommendation by \$1.2 million to an estimated \$10.9 million, consistent with the November 2013 Revenue Estimating Conference results and year-to-date program revenues, net of the required liability hold-back for unclaimed property.

The Governor recommends \$1.5 million in settlements for the Victims of Crime Compensation program, corresponding to recent years' history. The financing for claim payouts for eligible recipients is provided with federal Department of Justice grants (\$560,000) and fines imposed by the Courts (\$925,000).

For FY 2015, the Governor recommends total expenditures of \$35.2 million for the Office of the General Treasurer, comprised of \$2.5 million in general revenue, \$870,338 in federal funds, \$31.5 million in restricted receipts and \$220,608 in other funds. In relation to the FY 2014 enacted budget, general revenues are \$122,587 less, federal funds are \$260,084 less, restricted receipts are \$137,452 more and other funds are \$8,315 less.

Across all funds and department-wide, personnel financing totals \$8.6 million, or \$204,908 less than the FY 2014 enacted level. The decrease is attributable to additional turnover in the amount of \$359,630 offset by statewide adjustments for employee benefits. The Governor also provides \$25,000 in transition financing for the new General Treasurer to be elected in November, 2014.

The Governor recommends second year financing in the consultant category for the pension administration database in the Retirement Program in the amount of \$2.4 million in FY 2015. The Governor also recommends financing in the amount of \$105,600 for a Capitol Police officer at Treasury headquarters to provide security for the array of personal information held by the Business Processing Unit, the Unclaimed Property Program and the Employees' Retirement System of Rhode Island, in addition to providing a secure environment for Treasury employees and the daily visitors to the building.

In the Unclaimed Property Program, claim payouts are again expected to increase above the FY 2014 enacted level, to a total of \$9.5 million in FY 2015. The calculation for the net transfer of revenues to the general fund surplus, as agreed upon in the November 2013 Revenue Estimating Revenue Conference, is estimated to be \$10.1 million in FY 2015.

In the Crime Victim's Compensation Program, the Governor recommends an increase of \$35,315 in general revenue in order to relieve administrative expense financed with the federal grant and court receipts, to further secure those resources for claim payouts to victims of violent crimes. The Governor again provides \$1.5 million for eligible expenses associated with medical bills, loss of earnings and relocation costs up to \$25,000.

The Governor recommends 83.0 FTE positions in both FY 2014 and FY 2015, same as the enacted level.

Board of Elections

The Governor's revised FY 2014 Budget for the Board of Elections is \$1.8 million. The budget consists entirely of general revenue and reflects a \$21,044 increase from the FY 2014 enacted budget. A reduction of \$9,657 in personnel is attributable to rate changes for medical insurance, assessed fringe benefits and

General Government

retiree health insurance. Contract services increase by \$19,700, primarily attributable to a \$20,000 increase in legal expenses due to higher than anticipated year to date legal expenditures. Operating expenses increase by \$11,001 due to a \$10,000 increase in printing costs to print forms for campaign finance, voter registration, and other election-related forms in preparation for the November 2014 General Election and a \$1,000 increase in staff training related to election administration.

For FY 2015, the Governor recommends \$4.1 million financed entirely by general revenue, a \$2.4 million increase from the FY 2014 enacted Budget. The FY 2015 recommendation reflects a \$2.0 million increase for public financing of elections related to the November 2014 election. Other expenses related to the November 2014 Election include increases of \$125,000 for voting equipment delivery, \$40,000 for legal expenses, \$20,000 for printing, and \$17,500 for postage and postal services. The capital furniture and equipment increases by \$61,250 for the purchase of approximately 245 voting booths to alleviate wait times at high volume voting locations. Rental of outside property increases by \$60,000 for warehouse space rental in anticipation of the Board having to relocate the voting equipment currently located at the Cranston Street Armory.

The FY 2015 recommendation includes \$46,690 for information technology improvements based on an evaluation by the Division of Information Technology (DoIT) which identified a number of risks based on aging infrastructure. In addition to the initial outlay, these upgrades will result in an annual \$12,000 information technology contract service expense for the increased bandwidth required for the aforementioned upgrades. The recommended information technology investment is partially offset by a \$150,000 decrease in from the Board's FY 2014 enacted IT programming budget; these funds will no longer be required due to the completed implementation of an electronic filing system for independent advocates, required pursuant to House Bill H-7859 of 2012.

The Governor recommends 11.0 FTE positions in revised FY 2014 and FY 2015, consistent with the enacted FY 2014 authorization.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2014 Budget for the Rhode Island Ethics Commission of \$1.6 million, composed entirely of general revenue. This amount is \$1,264 less than the FY 2014 enacted level. The revised budget includes reductions of \$3,529 for salaries and benefits, \$7,026 for statewide savings in medical and retiree health costs, which are partially offset by increases of \$3,529 for operating costs and \$5,762 for computer equipment. Funding for the computer equipment purchased in FY 2013, but received in FY 2014, was approved for reappropriation into FY 2014 by the Governor.

For FY 2015, the Governor recommends expenditures of \$1.6 million in general revenue. This amount is \$4,001 higher than the FY 2014 enacted budget and fully funds current services of the Commission. The \$4,001 general revenue change includes increases of \$794 for salaries and benefits and \$3,207 for operating expenses.

The Governor recommends the FY 2014 enacted level of 12.0 FTE positions in revised FY 2014 and FY 2015.

General Government

Office of the Governor

The Governor recommends a revised FY 2014 Budget for the Office of the Governor of \$4.6 million, all in general revenue. The recommendation is an increase of \$170,561 from the FY 2014 Enacted Budget. This increase includes a re-appropriation of \$196,428 to the Governor's Contingency Fund for anticipated expenditures related to the pension lawsuit mediation. Without this re-appropriation the Governor's revised budget would be \$25,867 less than the enacted budget. The FY 2014 recommendation provides \$4.1 million for personnel, \$283,234 for operating, \$250,000 for assistance and grants, as well as \$17,500 for capital expenditures.

The Governor recommends a FY 2015 Budget for the Office of the Governor of \$4.7 million, all in general revenue. The recommendation is an increase of \$209,049 from the FY 2014 Enacted Budget. The Governor's FY 2015 recommendation provides \$4.1 million for personnel, \$267,750 for operating, \$250,000 in assistance and grants, as well as \$19,900 for capital expenditures. The operating expenditure increase includes \$125,000 to fund transition costs for the new Governor to be elected in November 2014.

The Governor recommends 45.0 FTE positions in FY 2014 and FY 2015, which is the same as the enacted level for the Office.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2014 Budget of \$1.5 million for the Commission for Human Rights, including \$1.1 million from general revenue and \$317,367 from federal funds. The recommended level is \$4,010 more than the FY 2014 enacted level and consists of \$4,719 less in general revenue and \$8,729 more in federal funds. The increase in federal funds expenditures is due primarily to employee selection of medical benefits after the FY 2014 Budget was enacted. The decrease in general revenue expenditures is attributable to statewide medical and retiree health savings of \$6,339.

For FY 2015, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million from general revenue and \$287,096 from federal funds. Compared to the FY 2014 enacted level, the FY 2015 recommended expenditures are \$20,756 greater, reflecting \$42,298 more in general revenue and \$21,542 less in federal funds. The increase in general revenue is due primarily to a higher allocation of employee costs in an attempt to reduce the strain on the agency's federal fund sources from the US Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD). The decrease in federal funds expenditures correlates to bringing operating expenses more in line with anticipated reimbursements from the two federal agencies for discrimination cases handled by the Commission. It should be noted that the Commission's federal EEOC grant was affected by federal sequestration, as it was determined that the Commission would only be reimbursed at approximately 84.0 percent of levels recommended by Federal District Offices for charge resolutions. The Commission's HUD grant was not directly impacted by sequestration.

The Governor recommends 14.5 FTE positions in the FY 2014 revised and FY 2015 Budgets, the same level authorized in the enacted FY 2014 Budget.

Public Utilities Commission

The Governor recommends a revised FY 2014 Budget of \$8.5 million for the Public Utilities Commission. This revised level of funding consists of \$205,056 from federal funds and \$8.3 million

General Government

from restricted receipts. Compared to the FY 2014 enacted budget, it is a \$98,634 increase, including \$38,238 more in federal funds and \$60,396 more in restricted receipts.

For FY 2015, the Governor recommends total expenditures of \$8.6 million, consisting of \$87,733 from federal funds and \$8.5 million from restricted receipts. The budget is \$199,178 greater than the FY 2014 enacted appropriations and reflects a reduction of \$79,085 in federal funds and an increase of \$278,263 in restricted receipts. The Governor recommends an additional programming services officer in FY 2014 to provide management oversight of the Consumer Section to address backlogs as a result of the drastic increase in consumer related billing issues, service quality concerns and termination proceedings due to recent changes in Rhode Island statutes.

The Governor recommends 49.0 FTE positions in the FY 2014 revised budget, the same as in the enacted authorization. For FY 2015, the Governor recommends one additional FTE position discussed above for a total ceiling of 50.0 FTE positions.