

Executive Summary

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Overview

Time to Abandon the Status Quo Budget

Governor Carcieri's consolidated operating and capital budget presents the strategic policy goals of the Administration. Those goals are to produce good jobs, good schools, good government and a good place to live. In order to achieve these goals, state government must continually review the services it provides and the way in which those services are delivered. Impending budget deficits provide both a tremendous challenge and a great opportunity for change. The FY 2004 enacted budget was predicated upon receiving assistance from the federal government in the form of \$50 million of one time revenues and \$41 million in one time expenditures savings. Compensating for these non-recurring windfalls made the preparation of the FY 2005 budget extremely difficult. In the FY 2005 budget, some programs or activities will not be funded at the previous or "expected" levels, and some will not be funded at all. Other programs may include initiatives reflecting the Administration's willingness to make targeted investments to reap long-term benefits. The funding levels, statutory changes and modifications to business processes reflected in this budget are the tactical measures that will help achieve these long-term strategic goals.

An estimated \$192 million deficit in FY 2005 required the Administration to look at ways to limit expenditure growth and enhance revenue collections. To protect Rhode Island's competitive economic standing, the Governor proposes no increases to the sales or income taxes. Instead, the Governor recommends constrained spending across state government. The Governor recommends expenditure reductions totaling \$112 million. These reductions, when coupled with inflationary increases in benefits, caseload increases in core programs, and modest initiatives targeted primarily at economic development and education result in overall spending increasing by only 3.7% over FY 2004 revised levels. However, in FY 2004 general revenue expenditures were artificially reduced by \$41 million in one-time Medicaid relief granted by the federal government. Adjusting for this artificial reduction in FY 2004 expenditures, the Governor's recommended FY 2005 budget increases by only 2.2 percent from the adjusted FY 2004 levels.

Funding Strategy

- *No Sales and Income tax increase***
- *Abandon ineffective tax credits***
- *Begin State Employee Health Care Premium Co-Share***
- *Pay Human Service Benefits Only to Eligible***
- *Step-Up Tax and Fine Collection Efforts***
- *Target all fund sources to priority needs***
- *Find ways to spend less to achieve the same result***

A key strategy in developing the budget was to look at beneficiary and licensee compliance with existing laws and regulations, and to recommend ways to increase compliance that will reduce expenditures or increase revenue collection. Taking into consideration the recommendations of Fiscal Fitness and the financial and program managers throughout state government, the FY 2005 budget reflects practical how-to-get-there steps on issues such as enhancing the state's collection rate on taxes and court receipts, and preventing and detecting overpayments to providers and coverage to ineligible clients in our human services programs. The Governor proposes statutory changes that would prohibit any person who is not in good standing on their taxes or court fines and costs from receiving a state issued license. This would apply to all professional licenses, driver's licenses, and registrations. These recommendations are to provide an ongoing system of compliance. In the human service entitlement area, the budget reflects investment to enhance the monitoring of child care and medical programs and to strengthen long term care estate collections.

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The budget also attempts to identify non-general revenue sources to finance priority needs. Examples include the use of recoveries for the remediation at the Rose Hill Landfill superfund site, employer tax funds of the Human Resource Investment Council for the Adult Literacy program, OSPAR funds for the South Coast Restoration project, and federal funds for a comprehensive education information system which includes the student identifier.

Departments and agencies were encouraged to develop ideas that would reduce expenditures but produce the same service result. Examples of this strategy include the use of mail order on a voluntary basis for elders enrolled in the RI Pharmaceutical Assistance program. The state will save an estimated \$387,462, participants will also save on co-payments, and will be afforded the convenience of mail, which may be very attractive for those that are homebound. The state contracted with a firm to conduct spend management analysis to reveal cost savings from the state's procurement system and processes. Net savings of \$1.8 million are included in the FY 2005 budget.

Since the development of the budget was predicated upon the desire to avoid any increases in broad-based sales and income taxes, other revenue streams were reviewed in the context of policy goals. Elimination of certain corporate tax credits totaling \$4.5 million is supported by the indicated results of a study, which showed that they are ineffective in producing jobs. Elimination of these credits provides revenues to preserve and enhance economic development investments. Studies show that significant increases in the cigarette tax cause a high percentage of smokers to quit. Smoking cessation is a key public health goal, and increased revenue of \$40.2 million from the proposed tax increase will preserve funding for other health care programs throughout state government.

<i>Fiscal Fitness</i>

In April of 2003, Governor Carcieri announced the formation of the Governor's Fiscal Fitness Program. The goal of Fiscal Fitness is to make Rhode Island government cost-efficient and, at the same time, to improve customer service. Commitment to Fiscal Fitness marked the first step in fulfilling the Governor's pledge to comprehensively audit state government. The Fiscal Fitness vision statement is:

Rhode Island will become a model for the delivery of cost-effective government services to satisfied citizens who have confidence that tax dollars are being spent efficiently. State employees will be treated with dignity and respect, and be recognized for innovation and superior service to the citizens of Rhode Island.

Sixty team members from throughout state government, working in eleven groups, participated in Fiscal Fitness. The groups studied each department, focusing on organization, staffing, work process, management, and budget. They met with agency leadership and front-line workers to develop a clear understanding of agency operations, and to generate ideas on improving government services. Over the course of eight months, Fiscal Fitness staff, in collaboration with hundreds of state employees, conducted thorough reviews of the departments and agencies under the organizational jurisdiction of the Governor and mapped out how each conducted daily business.

Fiscal Fitness ideas originated in many different ways: some ideas were proposed by agency staff; others came via e-mail and a confidential "hotline" for employees. A number of ideas were developed by Fiscal Fitness teams based on their analysis of agency operations and their research on the best practices of other states and the private sector. The public contributed its ideas on improving state

Overview

government, and several Rhode Island business leaders volunteered their time. Ideas were reviewed, refined and approved by the Governor. The culmination of this work is a set of over 140 specific recommendations for making Rhode Island government more effective and efficient. When implemented, the initiatives proposed by Fiscal Fitness will improve the state's bottom line by \$180 million annually. After phased-in implementation, the cumulative savings projection for the next five years is \$650 million.

The FY 2005 Budget includes actions proposed by the Fiscal Fitness team valued at \$37.0 million in general revenues. The savings are reflected throughout the agency budgets and include the following:

General Revenue Receipts	FY 2005
DEM- Agricultural Registration fees	\$273,935
DEM- Water permit fees	18,363
DLT- Trade Exam	124,800
DBR- Increase various license fees	766,355
DCYF- Child Care Licensing	386,300
DOT- Physical Alteration permits	211,700
Health- Assisted Living License fees	588,435
RIDE- Teacher Certification Fees	450,000
DOA- Tax Clearance for Renewals	6,500,000
DOA- Eliminate DEFRA	1,700,000
DOA- Increase Tax Field Audits (net)	560,043
DOA- Cigarette Tax to Distributors	1,895,581
Revenue Total	13,475,512
Expenditure Savings	
Statewide Spend Analysis-Purchasing	(1,823,096)
Statewide- Employee Medical Co-Premium, 7%	(5,954,340)
DHS- Monitor Child Care and Medical eligibility (4 FTE)	(2,579,000)
DHS- Strengthen LTC/ Estate Collections	(8,743,000)
DHS- Caseload Monitoring (2 FTE)	(4,410,000)
Expenditure Total	(23,509,436)
Total General Revenue Impact	(36,984,948)

With the support of the General Assembly, additional resources were allocated in FY2004 to address chronic problems at the Registry of Motor Vehicles. Aided by members of the Fiscal Fitness team, the Registry staff accomplished a tremendous amount in a short period of time. Much needed signage, equipment, and targeted staffing were added to make a trip to the Registry less onerous. Additionally, services are now offered by the Automobile Association of Rhode Island allowing members to renew driver's licenses and registrations at its offices. Taking care of business at the Registry is no longer a burden on the citizens of the state. Common sense ideas, executed in a spirit of cooperation by management and staff have resulted in a better working environment for

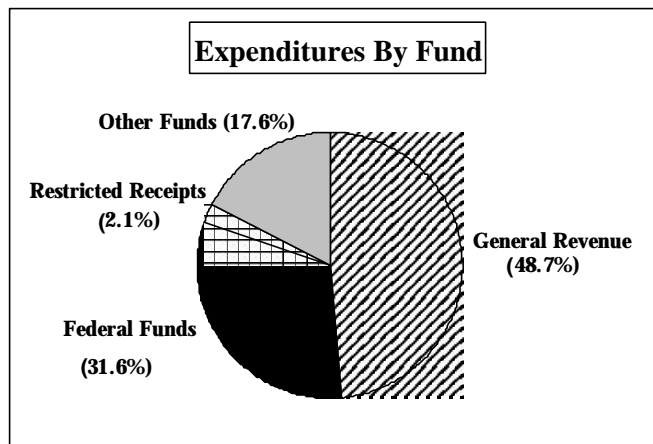
***Common Sense Ideas
In Action-Solutions for
the Registry of Motor
Vehicles***

Overview

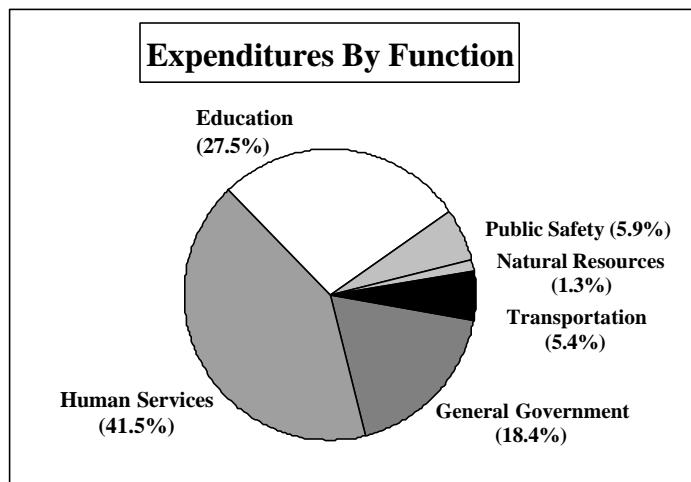
employees and better service to the taxpayers. It is the Governor's goal to energize managers and employees to accomplish similar improvements in service and or cost savings measures, and to recognize those contributions.

The All Funds Budget

All funds expenditures for FY 2005 are \$5.946 billion. Of this total, \$2.899 billion, or 48.7 percent, is from general revenue, \$1.876 billion, or 31.6 percent, from federal grant funds, \$1.047 billion, or 17.6 percent, from other sources, and \$123.4 million, or 2.1 percent, is from restricted or dedicated fee funds.

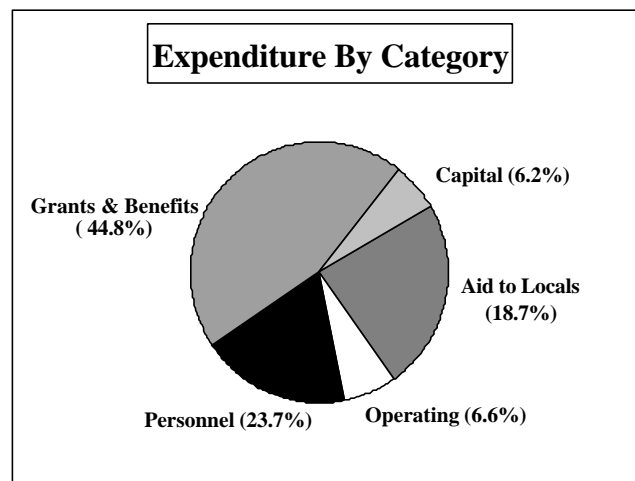


On a functional basis, the largest percentage of expenditures are made in the Human Services area, which comprise \$2.470 billion, or 41.5 percent of the total budget. This is followed by spending for Education of \$1.635 billion, which comprises 27.5 percent of all spending, and expenditures for General Government of \$1.092 billion, equaling 18.4 percent. Public Safety, Natural Resources and Transportation expenditures make up the balance, totaling \$748.9 million, or 12.6 percent of the total budget.



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The second way to view expenditures is by major category. On this basis, the largest share of the budget goes towards assistance, grants and benefits and equals \$2.665 billion or 44.8 percent of the total. Personnel expenditures, which comprise 23.7 percent, or \$1.410 billion, and local aid expenditures, which make up 18.7 percent, or \$1.113 billion of the total budget follows this. Expenditures for capital expenditures total \$368.2 million or 6.2 percent, with the balance of spending used to finance operating expenditures of \$391.1 million, or 6.6 percent of the total.



The recommended budget is financed from total general revenue resources of \$2.899 billion for FY 2005, an increase of \$103.6 million from the revised FY 2004 level of \$2.795 billion. An opening surplus of \$0.1 million is also included, as is the reduction for the required transfer to the Budget Reserve Fund of \$59.2 million. Expenditures from general revenue total \$2.899 billion for FY 2005 reflecting an increase of \$103.3 million, or 3.7 percent, from the revised FY 2004 Budget of \$2.795 billion. The general revenue fund surplus by year is recorded in the table on the next page. By function, growth rates for FY 2005 general revenues from FY 2004 revised levels are: General Government increases 4.6 percent, reflecting increased debt service from new borrowing and reduced reliance on Rhode Island Capital Plan funds to finance debt service requirements. Human Services increase 6.1 percent, but the underlying growth rate is 2.1 percent when effects of the one-time federal Medicaid relief in FY 2004 are adjusted out. Education grows 1.3 percent. Public Safety grows 1.5 percent. Natural Resources increases 3.6 percent, reflecting benefits and operating inflation, and the absence of one-time restricted resources financing offsets in FY 2004.

***The General
Revenue Financing
Plan***

By function, general revenue spending by Human Services agencies represents the largest share, with expenditures totaling \$1.117 billion, or 38.5 percent of the budget. This is followed by spending for Education, which totals \$978.2 million, or 33.7 percent. General revenue expenditures for General Government and Public Safety comprise \$478.2 million (16.5 percent), and \$290.1 million (10.0 percent), respectively. Finally, expenditures from general revenues for Natural Resources comprise \$35.4 million, or 1.2 percent of total spending. Transportation expenditures are financed by dedicated gasoline taxes, federal and bond proceeds and are not a component of general revenue spending.

Overview

General Revenue Free Surplus

	FY 2002 Audited	FY 2003 Unaudited	FY 2004 Enacted	FY 2004 Revised	FY 2005 Projected Deficit	FY 2005 Recommended
Opening Surplus						
Free Surplus	131.2	31.0	35.7	44.0	0.0	0.1
Reappropriated Surplus	11.1	7.8	0.0	8.0	0.0	0.0
Subtotal	142.2	38.9	35.7	51.9	0.0	0.1
Revenues and Transfers						
Revenues	2,148.5	2,296.1	2,412.8	2,405.2	2,449.0	2,449.0
Revenue Enhancements	0.0	0.0	0.0	15.7	67.0	168.9
Other Sources	454.5	454.6	392.6	379.8	340.4	340.4
Subtotal	2,602.9	2,750.8	2,805.4	2,800.7	2,856.4	2,958.3
Cash Stabilization Fund	(54.7)	(55.6)	(56.8)	(56.9)	(57.1)	(59.2)
Total Available	2,690.5	2,734.0	2,784.3	2,795.7	2,799.3	2,899.3
Projected Expenditures	2,651.7	2,682.0	2,783.8	2,795.6	2,991.1	2,899.0
Free Surplus	31.0	44.0	0.6	0.1	(191.8)	0.3
Reappropriations	7.8	8.0	0.0	0.0	0.0	0.0
Total Ending Balances	38.9	51.9	0.6	0.1	(191.8)	0.3

General revenue expenditures by category are primarily devoted to financing grants, local aid and personnel. Local aid expenditures of \$956.4 million comprise 33.0 percent of total expenditures, while grant based expenditures of \$956.4 also represents 33.0 percent of total spending. Personnel expenditures of \$743.1 million comprise 25.7 percent of the budget. Operations totals \$153.9 million, or 5.3 percent of the budget. Capital expenditures total \$87.2 million, or 3.0 percent of the total budget.

The Capital Budget addresses the Governor's desire to develop "Pathways to Prosperity", which will lead the State of Rhode Island to a more vibrant and competitive economic position. Governor Carcieri's capital budget recommendations are guided by the long-term strategies identified by the Economic Policy Council and by a property needs assessment by the Fiscal Fitness team. Utilizing both of these valuable long range planning tools, the capital budget was developed to include the investments required to advance the State of Rhode Island's economic position, and to more effectively utilize state-owned property.

***On the Path to Prosperity -
A Multi-Year Capital Plan
Leading to Good Jobs,
Good Schools, Good
Government and a Good
Place to Live***

The Economic Policy Council has identified ten key long-term strategies to improve Rhode Island's economic position. Achieving these goals requires planned investments, some of them capital in nature, over a multi-year period. Similarly, Fiscal Fitness reviewed the inventory of state-owned and leased property, and has identified key goals to address the ineffective use of the State's physical resources. Charting the course to achieve these goals requires a careful balance of capital needs with affordability.

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Debt as a percent of personal income is estimated to decline from 4.15 percent in FY 2004 to 3.76 percent in FY 2009. The high was 8.5% in 1994.

This capital plan addresses the Governor's desire to create pathways to economic prosperity by developing the infrastructure that will lead to better educational facilities, better jobs, and a high quality of life for Rhode Islanders. By targeting resources provided by general obligation bonds, long-term leases, and pay-as-you-go capital funds, the Governor's plan attempts to build these pathways.

The significant investments in our transportation system, at Quonset Point, and in our Higher Education system will bolster our economic development efforts. The preservation of open space and improvements to the quality of the state's precious watersheds are investments to ensure that the quality of life for future generations will be sustained or improved. The expansion of the emergency water interconnect program is crucial to provide municipal water systems with the ability to respond in times of need for mutual assistance, and will promote homeland security. The refurbishment and reuse of underutilized state property will reduce private lease costs, provide more suitable work environments for our employees, and will address customer and client services.

The Capital Budget proposes expenditures of \$819.7 million in FY 2005, and recommends issuance of \$100 million of new general obligation bonds each year for transportation purposes, education facilities, clean water projects, acquisition of open space and other projects. The capital budget reflects the infusion of significant funds from Grant Anticipation Revenue Vehicle Bonds (GARVEE) and from motor fuel bonds which will finance \$660.0 million of critical improvements. The Governor proposes new general obligation referenda totaling \$234.5 million in November 2004 and \$111.4 million in November 2006 to continue required infrastructure improvements. The capital plan also includes long term financing through certificates of participation for a new juvenile training school, a new Kent County Courthouse, a Traffic Tribunal Court Complex, and rehabilitation of state property.

The Governor's proposed Capital Improvement Plan for FY 2005 - FY 2009 reflects the seventh year in a comprehensive, yet affordable asset protection program that will result in the dedication of over \$250.0 million of current revenues towards preserving Rhode Island's buildings and other assets over the next five years. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects was modified in FY 2002 to use funds for debt service payments to address operating budget deficits, and resulted in numerous planned capital projects being deferred. It is expected that transfers to the Rhode Island Capital Fund Plan will total \$55.0 million and \$55.8 million in FY2004 and FY 2005, respectively. The Governor recommends that the General Assembly appropriate \$34.1 million from the Rhode Island Capital Plan Fund in FY 2005 for capital projects and dedicates all future resources in FY 2006 and thereafter towards maintaining and improving the state's infrastructure.

***Pay-As-You- Go Capital
Funding Continues***

Jobs Agenda

In his 2003 State of the State address, Governor Carcieri established the goal of creating 20,000 net new jobs in Rhode Island over the next four years. During the 2003 Legislative Session of the General Assembly, Governor Carcieri's Jobs Agenda received support from the General Assembly, and progress from those programs is well underway. For FY2005, the Governor's budget continues to support all of these initiatives through the allocation of general revenue and other funds. As planned last year,

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the Governor recommends a November 2004 general obligation referenda for \$50 million for the Biotechnology and Life Sciences Center at the University of Rhode Island, to complement the established medical research cluster that already exists in Providence. The Governor believes that the development of a symbiotic relationship between the center at URI and the medical institutions in Providence will provide the state with a competitive advantage in this area and allow for future expansion of the biotechnology industry in the state.

The 2005 Jobs Agenda includes **several** new initiatives to promote targeted economic development.

The Governor recommends a new bond referenda totaling \$48.0 million to be placed on the November 2004 ballot to continue the development of the Quonset Point/Davisville Industrial Park. Building demolition will continue to be a major effort, with the goal of assembling marketable parcels of land for future development. Further construction of internal roadways and the realignment of utilities with the park will improve access to various areas of the park. Upgrades to internal rail lines will connect the West Davisville Industrial Park with the Quonset and Davisville waterfronts. Replacement of the severely deteriorated Davisville Bulkhead will make the port safe for marine activity. Other work proposed from the bond includes construction of a new fire station, an esplanade along the Davisville waterfront, and HVAC repairs and sprinkler system installations at existing buildings. Legislation which would provide for discrete management structure for Quonset Point/Davisville, apart from the Economic Development Corporation is also recommended.

A new facet of the Governor's Jobs Agenda is the retention of good high paying jobs in the State. In particular, the Governor realizes that as the quality of the State's workforce improves it is necessary for good job opportunities to be available. In furtherance of this objective, the Governor proposes that the RIEDC issue taxable economic development revenue bonds of not more than \$15,000,000 for the purpose of providing funds to finance the acquisition of land and the development and construction of a manufacturing facility for use by Brown & Sharpe, Inc. at Keifer Park in the Town of North Kingstown. This new facility is needed for the production of a new product invention called "ONE" CMM that was introduced by Brown & Sharpe's parent Hexagon AB in September of 2003. Debt service on the revenue bonds is to be paid through lease payments made by Brown & Sharpe. Currently, Brown & Sharpe employs 255 people and has a total annual payroll of \$13.5 million. These jobs pay, on average, \$53,000 annually with range of \$25,895 to \$233,000. Eighty percent of the jobs at Brown & Sharpe pay, on average, between \$39,411 and \$63,912 annually. These are precisely the types of jobs the Governor wants to attract and retain in the State. Debt service on the bonds would be paid through a lease paid by Brown & Sharpe.

The Governor recommends new funding of \$200,000 to finance planning efforts for a Marine BioScience Research and Business Park most likely to be located at the Quonset Point/Davisville Industrial Park. The goal of this funding is to serve as a catalyst to attract significant private capital and expertise to Rhode Island to focus on aquaculture and harvesting compounds from the sea for use in biotech applications.

Funding of \$1.5 million is recommended to fund a state match for the Experimental Program to Stimulate Competitive Research (EPSCoR), a program that encourages states which have received relatively small amounts of funding from the National Science Foundation to gain access to larger grants. The University of Rhode Island, in cooperation with Brown University and other Rhode Island

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educational institutions, has applied for an EPSCoR Grant, which will require a state match of \$1.5 million.

In order to attract new entrepreneurial companies and venture capital financing to Rhode Island, the Governor recommends legislation that will enable the Economic Development Corporation to designate no more than twenty companies each year with “creative company” status. The status would provide significant tax benefits tied to job growth in Rhode Island. The tax benefits will only be available to designated companies with revenues of at least \$25.0 million that maintain at least 200 high quality jobs or a payroll of \$10.0 million in Rhode Island. The Governor also recommends fully funding the Slater Centers at the FY 2004 level of \$4.0 million.

With respect to state employee health insurance and costs of living adjustments, funding is included in the FY 2005 budget for a salary adjustment fund. Contracts with most unions expire on June 30, 2004. The FY 2004 budget provided for no across-the-board salary increases for state workers. Governor Carcieri recognizes that a fair employee compensation package will require additional funds in FY 2005. The Governor proposes a cost of living adjustment of two percent for all permanent employees, union and non-union. The Governor also proposes that all state employees begin paying a portion of their health care insurance premiums, beginning with a seven-percent co-share of the cost of health insurance premiums in FY 2005. The net all funds cost of this recommendation requires an addition of \$10.8 million, with a cost of \$21.4 million for the salary increase and savings of \$10.6 million for the medical insurance co-share. It is also the goal of the Administration to offer more choice to our employees with respect to medical plans upon expiration of the current health insurance contract for state employees in December 2004. This initiative will help to control the growth of governmental benefit costs, and ensure that employees and the state share the growth of health care costs on a more equitable basis in the future.

Health Care Premium Co-Share for State Employees Along with Salary Increase

An important aspect of good government is ensuring that the State Employees Retirement System is affordable, fair and fiscally sound. The long-term health of our pension system is in jeopardy unless there is an increase in contributions or benefit modifications. A nationwide study in October 2002 showed Rhode Island was tied for first place in terms of having the oldest state workforce in the country, with an average age of 48. As the number of retirees grows, the number of active employees remains constant or declines. The Governor has formed a pension review committee to study the Rhode Island Employees Retirement System. This committee consists of representatives of the Administration, organized labor, the business community, and the General Treasurer. The committee began work in the fall of 2003 and is expected to publish in the spring of 2004 the results of its analysis of the existing system and alternatives to ensure the long-term viability and affordability of the system. The FY 2005 budget contains no proposals to change the contribution or benefit structure, and offers no “early retirement” incentives. The state funded health care costs of retirees continues to be an area of significant concern. Unlike pension benefits, the state finances retiree health costs on a pay-as-you-go basis and has no reserves for current and future retirees. A recent actuarial study revealed Rhode Island’s unfunded liability for these benefits for State employees and State Police is over \$600 million. State participation in retired teacher health benefits adds another \$29.9 million to this problem.

Working Towards a Solution - the Pension and Retiree Health Funding Dilemma

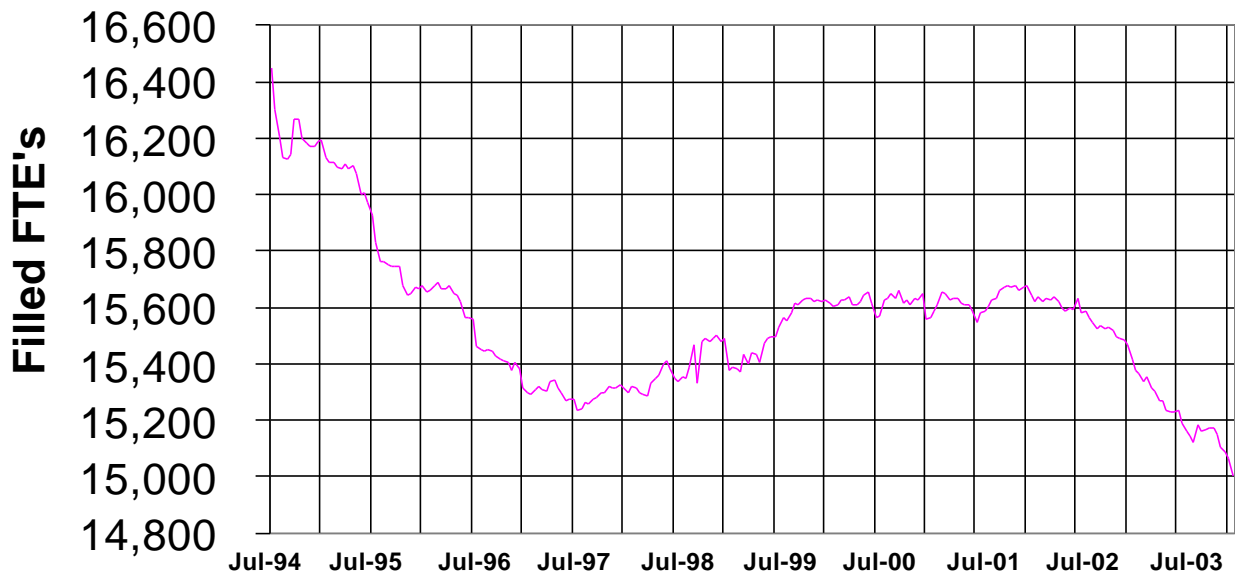
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The Governor also recommends an increase of 3.0 positions from the enacted level in the State Retirement System program in order to improve the response time for service to current and retired employees. This increase results from a growing demand for retirement consultations from state employees, teachers, and municipal employees.

***State Workforce Leaner-
With no Layoffs***

As of January 24, 2004, the number of filled positions, excluding exempt position in higher education, was 14,597.4 full-time equivalents. This is 692.0 positions below the current ceiling, and is consistent with the Administration's constrained hiring practices and the management of state government operations in a fiscally-prudent manner. The enacted full-time equivalent ceiling, or FTE cap, for positions in state government was 15,289.4 for FY 2004. Based upon vacancies in certain agencies, the Governor recommended adjustments to agency ceilings, and a reduction for FY 2004 for 30 Corrections Officer vacancies. The FTE cap is recommended to increase from the revised FY 2004 cap of 15,259.4 to 15,397.2 for FY 2005, reflecting primarily the expansion of campuses for the Community College of Rhode Island (61.0 FTE) and recruitment of correctional (40.0 FTE) and state police Officers (30.0 FTE) to replace vacancies from the last two years.

Filled FTE Positions FY 95 - Present



Overview

FY 2004 marks the beginning of an historic effort on the part of Rhode Island government to modernize the state's transportation systems. In November 2003, the state issued \$269.8 million, the first series of a bond program that will generate \$660.5 million in construction funds for the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, and the Quonset Rt. 403 construction, plus amounts for completion of the Freight Rail Improvement Program at Quonset Point. The bonds will be funded from two cents of the motor fuel tax allocated to the Department of Transportation, and from future federal funds. The debt service on the GARVEE bonds (starting in FY 2005), to be paid through the FHWA allocation, is \$41.8 million. The gas tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$9.4 million in FY 2004 and \$9.6 million in FY 2005. Additionally, the Governor recommends continued funding for other projects in the plan through the issuance of general obligation bonds totaling \$30.0 million per year. The capital budget also includes funding for a new Intermodal Transportation Center. TEA-21 authorized \$25.0 million for the development of an Amtrak/commuter rail station and automated people mover connection from the Northeast Corridor rail line to T.F. Green Airport. In an effort to reduce traffic congestion in the airport area, a public/private partnership with the Rhode Island Airport Corporation (RIAC) and the rental car agencies has been proposed to develop a multimodal consolidated rental car facility. The facility would centralize all existing and future ground transportation services, including Amtrak Acela, commuter rail, RIPTA and regional buses, and rental cars into one 3,500 space parking structure. This facility would be connected to T.F. Green Airport by a 1,300 foot automated people mover system. The cost for this facility is estimated to be \$169.5 million.

***Innovative Funding
Drives Transportation
Projects Ahead***

The FY 2005 budget recommendation for all programs defined as education aid totals \$773.7 million, reflecting an increase of \$11.1 million, or 1.4% from FY 2004 revised levels. Funding for fully-distributed education aid, including the Davies Career and Technical School, the Metropolitan School, and Charter schools is funded at \$667.1 million, the same level as in FY 2004. Of this total, charter school funding increases \$5.4 million, Metropolitan School financing increases \$2.1 million, and Davies school support increases by \$402,000. General Aid distributed directly to communities declines by \$7.9 million.

***Local Education Aid
Up \$11.1million,
a Modest 1.4%***

School construction aid and teacher pensions support are the major drivers in the comprehensive aid budget as they increase \$4.1 million and \$6.4 million respectively. School construction support is based on an estimate of new projects and/or increased project costs. The employer share of retirement costs for teachers reflects the need to address unfunded pension liabilities.

The Governor's education budget also includes funding for several targeted intervention strategies aimed at improving student achievement at underperforming schools. Progressive support and intervention increases \$1.0 million; as with the current \$600,000 Hope High School initiative, this is targeted to improving urban high schools. Also, two distinct \$400,000 appropriations are provided to strengthen local mathematics programs, and to improve the leadership capacity of principals in our schools.

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To address the significant unmet need for educational services to the blind and visually impaired youth of Rhode Island, the Governor also recommends the transfer of the Vision Services program from the School for the Deaf to a contractual relationship with the Sherlock Center at Rhode Island College. With the Governor's leadership, the Office of Higher Education and Rhode Island College have collaborated with the Department of Elementary & Secondary Education to facilitate the program transfer. In addition to the 5.6 positions transferred from School for the Deaf, \$100,000 has been included in the Governor's budget for a new position of program coordinator. The first task of this individual will be to conduct a needs assessment which will examine current delivery of student services in order to improve both the quality and quantity of services for this population.

***Support for Higher
Education Institutions
grows by 1.8%***

The budget proposed by the Governor includes level funding in state support to finance current services of Higher Education, except for additions of \$2.8 million for the opening of the Newport Campus and the expansion of the Providence Campus of the Community College. Tuition revenues grow by \$5.0 million from tuition rate increases of approximately 11.5 percent at the University, 9.7 percent at the College, and 12.0 percent at the Community College (The average national tuition increase in FY 2004 was 14 percent, while Rhode Island's ranged from 5.3 to 6.2 percent. Pursuant to current law, both the FY 2004 revised budget recommendation and the FY 2005 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. In FY 2004, debt service of \$12.1 million is recommended, and in FY 2005, \$13.7 million is included, an increase of \$1.6 million. Recognizing increased debt service costs recorded in the Department of Administration, state financed expenditures in FY 2005 for Higher Education increase by a total of \$3.3 million, or 1.8 percent, compared to FY 2004 levels.

In the FY 2005 budget for the Higher Education Assistance Authority (HEAA), the Governor recommends total funding for needs based and other scholarships of \$13.8 million, including general revenue of \$8.9 million, federal funds of \$0.4 million, and \$4.5 million in other funds. This total is \$300,000 more than the enacted FY 2004 level, due to increased resources from other funds. The FY 2005 recommendation includes a \$1.0 million decrease in general revenue compared to enacted FY 2004 levels, with an attendant increase in other funds of \$1.3 million over the enacted FY 2004 budget. The Governor recommends that any additional resources should be allocated to needs based scholarships to further improve access to higher education. These funds are derived from provisions in the contract with the manager of the Rhode Island 529 Tuition Savings Plan. The Plan, which is marketed nationally, has experienced continuous expansion, with the contractual benefits directed primarily to Rhode Island scholarships. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students. The Governor's FY 2004 proposed funding increase and additional other funds in FY 2004 was used by HEAA to increase the maximum scholarship award to \$1,400 in academic year 2004 (AY 2004) from \$750 in academic year 2003 (AY 2003). Not only was the maximum award increased but so was the average scholarship award, rising from \$622 in AY 2003 to \$1,123 in AY 2004. These increases in the maximum and average scholarship awards allowed HEAA to double the percentage of student financial need met from 15 percent in AY 2003 to 30 percent in AY 2004. Finally, and perhaps most significantly, the number of students who received awards also increased from approximately 10,700 in AY 2003 to somewhere in the 11,000 to 11,500 range in AY 2004.

***Governor Maintains
College Assistance
Grants***

Overview

The FY 2005 budget includes level funding of most aid programs for local communities, and provides minor increases in other aid categories. Municipal governments will benefit from the Governor's recommendation to freeze the trash tipping fee charged by the Resource Recovery Corporation, saving approximately \$2.7 million. The General Revenue Sharing program is recommended at \$51.4 million, equal to the FY 2004 revised budget. The Governor proposes to amend current statutes to establish the funding level for FY 2005 equal to the amount appropriated, and to delay future percentage distribution increases under this program by one year beginning in FY 2006. This would result in the share of general revenue taxes distributed to cities and towns increasing to 3.0 percent in FY 2006, and ultimately to 4.7 percent in FY 2011.

Local Aid

The Motor Vehicle Excise Tax Phase-Out program is level funded at \$105.0 million. The Governor proposes to amend the Motor Vehicle and Trailer Excise Tax Elimination Act of 1998, by providing for state reimbursement of lost excise tax revenues to cities and towns based upon the prior local fiscal year. The change in reimbursement from a concurrent to a prior local fiscal year basis would begin in state fiscal 2005. Although this will delay increases in reimbursement by one year, a major benefit of this proposal is that local communities will have knowledge of the level of actual reimbursement they will receive in a given fiscal year prior to the start of the fiscal year. Under current law, reimbursements can and often do change from projections made prior to the start of the fiscal year, which results in some communities receiving less funding than anticipated in their fiscal year budgets.

The Payment-in-Lieu-of-Taxes (PILOT) program is also level funded at \$21.7 million, which will require payments to eligible communities to be ratably reduced to ninety-three percent of levels required under full funding of this program. The Distressed Communities Relief Program is funded at the FY 2004 enacted level of \$7.5 million, which will require an amendment to current law to permit FY 2005 disbursements to be equal to appropriations. This change will save the state approximately \$1.1 million. State Library Aid is fully funded at \$7.9 million to reimburse local libraries for twenty-five percent of FY 2003 expenditures. Library Construction Aid will increase \$464,477 over FY 2004-revised funding to fully fund projected FY 2005 payments for current commitments. The Municipal Police and Firemen Incentive Pay program is level funded at \$1.1 million. Finally, the Property Revaluation Program is funded at \$2.2 million to reimburse those communities scheduled to perform revaluations and/or statistical updates during FY 2005.

Affordable Housing

The Governor recommends \$5.0 million for the affordable housing program from general revenues in FY 2005. The housing plan prepared by the Housing Resources Commission recommends the production of 100 units of housing each year to meet the needs of families who work at or near minimum wage, and to create permanent supportive housing for disabled individuals who are homeless or in danger of becoming homeless. In addition, the Governor recommends that \$2.2 million be provided to the Travelers Aid project in order to facilitate completion of the \$16.0 million construction modifications to the former YMCA building. The state had previously provided \$2.5 million through a financing agreement with the RI Housing and Mortgage Finance Corporation. The Governor recommends that funding be provided in the same manner for the remaining \$2.2 million for Travelers' Aid. This would be in addition to \$300,000 of general revenues for the project in FY 2004.

Overview

The State's efforts to develop an integrated financial management system have not produced a fully functional system. The lack of timely and reliable data continues to challenge managers throughout the state, and to cause delays in the release of the audited financial statements. The Governor recommends \$2.0 million of general revenue funds in order to accomplish that which was originally intended - creation of a real-time system that meets the needs of managers today and in the future. The ideal system would integrate the accounts payable, accounts receivable, general ledger, budgeting, procurement, and human resources systems. The state's Chief Information Officer serves as chairperson of a steering committee that is receiving input from users to assess the appropriate course of action. It is likely this will require a large commitment of funds in FY 2006-FY 009, possibly approaching \$20 million. The steering committee is investigating ways to share the costs of the system among all funding sources statewide. The Governor also recommends \$100,000 to ensure that technology needs do not deter the state from accomplishing initiatives related to revenue collections. This requires sharing of data between the Department of Administration, licensing agencies throughout state government, and the courts.

***Financial Management
and Data Systems Need
Improvement***

***Human Services
Programs Modified***

The State of Rhode Island has developed an expansive support system to assist the most economically needy. The RIteCare health insurance program is recognized as the most comprehensive and effective in the nation. The state's sixty-month term, during which welfare clients are provided cash assistance, education, job training, and child care opportunities, is the most generous in the country and the maximum allowed under federal statutes. These programs have been costly. The Governor proposes several actions to contain costs by increasing eligibility reviews, strengthening fraud and abuse detection, scrutinizing provider payments, and increasing third-party payments.

Expansion of the Front End Detection Unit with the addition of four staff positions is expected to reduce child care costs by \$2.8 million. An increase in client co-payments for child care reduces recommended appropriations by \$699,000. Statutory revisions proposed to the Family Independence Program would reduce general revenue cash assistance costs by \$4.1 million by imposing sanctions against continued benefits to families with parents in non-compliance with employment plans, establish income tax intercepts for overpayments saving \$302,000, and allowing voluntary settlements against future cash assistance awards, saving \$500,000.

Reductions to Medical Benefits expenditures in the Department of Human Services, from the levels adopted by the caseload conference also include: deferring a scheduled expansion in principles of reimbursement for nursing facilities; savings from expanded effort in the areas of claims management, third party recoveries, eligibility reviews, disease and pharmaceutical management, admissions reviews, and error reduction.

The Governor does, however, recommend changing the eligibility level for child care subsidies, the costs of which have rapidly increased in recent years. The Governor's recommended FY 2005 Budget includes statutory revisions and reductions in general revenue funds of \$4.0 million from reducing the eligibility ceiling for child care subsidies from 225 percent of the federal poverty limit to 200 percent, and \$2.5 million from redefining the market factors in payment schedules for child care providers.

Overview

Consequently, a family of three with annual income up to \$30,520 will still be eligible for child care subsidies.

The Department of Children Youth and Families' FY 2005 budget continues to fund the same eligible caseload, with no statutory changes to the age limits of children under their care. Step down facilities for psychiatric cases, continued utilization of Rite Care for special needs children, reduced lengths of stay for psychiatric hospitalization, and parental contributions as required by federal law provide savings in the Department of Children Youth and Families budget.

The Department of Mental Health Retardation and Hospitals' FY 2005 budget funds the census population at the Eleanor Slater Hospital, and continues to serve other clients and patients through a system of state employees and provider networks. The Governor's general revenue recommendation includes \$1.5 million for growth in the programs serving the Developmentally Disabled, but does reflect restrained growth of a potential \$2.0 million in expanded caseload funding. The recommendation also reflects the elimination of some prevention, training, and advocacy-based funding in the Division of Mental Health Services, in addition to reducing the current rate structure for Mobile Treatment Teams. These two items have combined general revenue savings of \$1.2 million. Within the Division of Substance Abuse, the Governor recommends programs reduction of the following: \$295,000 from the elimination of treatment costs for uninsured TASC clients, as these services will be provided under the general outpatient contract funds; \$420,000 in savings from re-procuring existing services by reducing the number of providers and the associated administrative overhead; \$310,666 in direct grant services including Detoxification Case Management, Problem Gambling, Prevention Services and Tobacco Enforcement activities. Lastly, the recommendation for the Division of Substance Abuse reflects savings of \$246,660 by maximizing federal Medicaid match for existing Detoxification and Residential services.

The FY 2005 budget for the Department of Health reflects a reduction of \$2.2 million for Early Intervention benefits. This savings reflects a recommended change in the program model which would mandate that every private insurer shall finance all treatment costs, without co-payments or deductibles, for all eligible services for its members, up to a limit of \$5,000 per year. This reassignment of program costs to insurers could be as great as \$3.7 million in FY 2005.

In the Department of Elderly Affairs, the FY 2005 current service growth of \$2.5 million for RIPAE program costs, is reduced by two initiatives, one that saves \$387,462 by adding mail order prescriptions on a voluntary basis, and one that saves \$2.1 million by requiring client participation in the interim federal Medicare prescription benefit discount card program provided under the federal Medicare Act. Paratransit services are funded by increased state appropriations recommended in FY 2004 and FY 2005.

In the enacted FY 2004 budget, the Rhode Island Crime Victim Compensation Program was fully financed from court-ordered payments against convicted individuals and from federal funds. No general revenue funding for the program was required. However, with the filing of formal criminal charges in the Station nightclub fire, victims of this event will be eligible for relief through the program. Due to the large number of victims, both deceased and injured, the compensation program will be unable to finance all compensation payments from non-general revenue sources. The Governor recommends supplemental funds of \$800,000 in FY 2004 and \$2.2 million in FY 2005 for the Crime Victims Compensation Program and additional federal funds for victim compensation costs.

***Station Fire Victims
Compensation Program
Funded in FY 2004 and
FY 2005***

Overview

***Investments to Protect
the Environment***

The Governor recommends continued protection of the state's natural resources by financing current service requirements of the agencies responsible for protecting the environment. In support of the Governor's clean water initiative undertaken by his Narragansett Bay and Watershed Planning Commission, the Governor proposes \$15 million in new general revenue bonds for water quality improvements. The Governor also proposes \$10 million in new general revenue bonds for land acquisition to protect drinking water supplies, and \$35 million for open space and recreation projects. The recommended FY 2005 general revenue appropriation for the natural resource function is 3.7 percent, or \$1.3 million, greater than the revised FY 2004 budget. The increase is primarily in the Department of Environmental Management in the amount of \$978,420, or 3.1, percent above the FY 2004 revised level. The increase reflects: statewide benefit and payroll adjustments; additional amounts for current service staffing at the state's parks and recreational areas; increase for anticipated beach host community revenue distributions; and, compensation for reduced federal and restricted receipt offsets, primarily in water resources. These additions are offset by reductions from position freezes and operational consolidation, including the realignment of the strategic planning and technical and customer assistance units. In Coastal Resources, general revenue financing is reduced by \$28,644 to reflect personnel and operational efficiencies. The State Water Resources Board's general revenue financing increases by \$289,339 from the FY 2004 revised level, to reflect decreasing availability of restricted resources in the Department of Health from the federal Safe Drinking Water Act. The budget includes a statutory change to limit the State of Rhode Island's obligations relating to the rehabilitation and reconstruction of the existing Bristol County Water Authority supply and treatment facilities including the Shad Factory Pipeline Construction, repairs to the Bristol County Water Authority's three Massachusetts reservoirs, and an upgrade to the Authority's treatment facility to ensure continued use of the reservoir water. This proposal would limit the State's costs to the amount available from previously approved general obligation bond proceeds, saving \$862,034 in FY 2005, \$600,000 in FY 2006, and \$537,966 in FY 2007. The \$2.0 million of rehabilitation costs would be borne by the ratepayers in the Bristol County Water district. The Governor also recommends restricted receipts from third party recoveries, plus additional matching funds from federal Superfund grants, to finance remediation costs at the Rose Hill landfill in South Kingstown.

Funding for the Public Safety function is derived mainly from state sources, with approximately 83.2 percent from general revenue. The FY 2005 general revenue budgets total \$290.1 million, an increase of \$4.5 million, or 1.6 percent, from the FY 2004 revised level. There is a \$5.2 million increase in personnel expenditures. In addition to inmate population-related increases in overtime, per capita operating, prescription drug, and medical contract costs, the Governor's recommended FY 2005 budget for Public Safety includes financing the last of four retroactive compensation payments to correctional union members in the Department of Corrections. The Governor also adds funds for drug treatment, startup personnel for the Reintegration Center aimed at reducing corrections costs in the long-term by reducing recidivism, and a new correctional officer class. The Governor also adds funds for State Police pension costs and for a new state trooper class. The state has not graduated a trooper class since June of 2000. The Governor recommends establishment of a 26-cent monthly surcharge on wireless telephone service, for deposit in a new restricted fund.

***Public Safety
Responsibility
Remains A Driver in
State Spending***

Overview

Proceeds would finance expansion of the GIS database, and improvements to system reliability. The Governor recommends \$100,000 for the Rhode Island Justice Commission to finance additional racial profiling studies investigating state and local police behavior. The increase in personnel is offset by a \$1.3 million decrease in general revenue operating expenditures for the Public Safety function overall.

***Budget Reserve Fund
Remains Intact***

The Budget Reserve Fund will remain fully funded at 3 percent of total resources in the Governor's budget recommendation. The use of the reserve fund to resolve the FY 2005 budget problems is not considered a viable alternative due to the relationship with the Rhode Island Capital Plan Fund and the constitutional and statutory requirements for repayment. The Governor's recommendation is

based upon the policy that Budget Reserve Funds should be used only for an unanticipated shortfall which would be impossible to address in the time permitted. The FY 2005 projected deficits have been anticipated and are resolved by the budget plans recommended. Use of the budget reserve fund would create a larger structural problem.

***Five-Year
Projection***

The fiscal year 2005 executive summary also contains a five-year forecast as required by statute. The forecast warns that pressures to enhance educational services and other local aid programs, state employee and retired state employee compensation, and supportive programs for the more vulnerable segments of the population, are

predicted to result in expenditure growth which outpaces revenue generation. By fiscal year 2009, it is estimated that expenditures will exceed revenues by \$171.0 million, given the current FY 2005 revenue and expenditure base. However, since savings of more than \$140.0 million are yet to be implemented, it is likely that these savings will contribute to elimination of future budgeting gaps.

The Governor's recommended FY 2005 general revenue estimate of \$2.958 billion is 5.6 percent greater than FY 2004 revised levels. This includes \$2.789 billion estimated by the November Revenue Estimating Conference and \$168.9 million in recommended changes to the adopted estimates. The estimated \$192 million deficit assumed that hospital tax and sinking fund law changes enacted in FY 2004 would be again enacted. This includes \$62.4 million for the recurring hospital licensing fee (which requires a budget article), \$10.5 million in enhanced uncompensated care revenues at Eleanor Slater Hospital, \$40.3 million from an increase in cigarette taxes, over \$15 million from enhanced collections of taxes and court fines and fees due to proposed statutory changes, \$10.6 million from modifying the VLT split, \$7.0 million from an increase in the corporate minimum and franchise taxes, \$4.6 million from proceeds that would have been directed to the sinking fund, \$4.5 million from the elimination of certain corporate tax credits, \$4.3 million from the Resource Recovery Corporation, and other miscellaneous departmental revenues.

***Revenue Increases
Help Resolve nearly
half of the \$192
Million Deficit***

The Economy

Introduction

The Consensus Revenue Estimating Conference (REC) convenes at least twice each year, typically within the first ten days of May and November. Historically, the purpose of the conference was confined to forecasting current and budget year revenue estimates. During the 1998 legislative session, the Revenue Estimating Conference statutes were modified to also require the adoption of a consensus economic forecast. Prior to the November 2001 conference, the conferees adopted a forecast for Rhode Island total employment, Rhode Island personal income, and the U.S. consumer price index for all urban consumers (CPI-U) covering the state's last fiscal year, its current fiscal year, and the budget year.

In 2001 the Rhode Island Division of Taxation procured an updated personal income tax simulation model. This acquisition required that additional economic variables be forecasted at the Revenue Estimating Conferences beginning with the November 2001 conference. Thus, in addition to Rhode Island total employment, Rhode Island personal income and the U.S. CPI-U, forecasts for Rhode Island wage and salary income, Rhode Island farm income, Rhode Island non-farm business income, Rhode Island dividends, interest and rent, Rhode Island total transfer payments, the Rhode Island unemployment rate, the interest rate for ten year U.S. Treasury notes, and the interest rate for three month U.S. Treasury bills are also agreed upon at the Revenue Estimating Conference. Finally, the consensus forecast of these economic variables now includes the last calendar and fiscal years, the current calendar and fiscal years, the budget calendar and fiscal years, and the next seven calendar and fiscal years.

Past Performance

During the November 2003 Revenue Estimating Conference, the conferees heard testimony from the state's two economic consulting firms, *Economy.com* and *Global Insight* (formerly *DRI-WEFA*). Both of the firms' representatives concurred that the U.S. economy is improving and will continue to strengthen in FY 2005 and beyond. The drivers of U.S. economic growth are: historically low interest rates that have bolstered housing markets and vehicle sales, large tax cuts that have increased disposable income and boosted investment spending, and exceptionally strong productivity growth that has helped to improve corporate profitability. The confluence of these three factors yielded growth in real U.S. gross domestic product (GDP) for 2003 of 3.1 percent. In 2002, real U.S. GDP growth was 2.2 percent. Unfortunately, this accelerating growth in real U.S. GDP in 2003 did not translate into job gains. In 2003, seasonally adjusted growth in U.S. non-farm employment was -0.3 percent, a decrease of 405,500 jobs. Remarkably, the performance of the U.S. job market in 2003 represented an improvement over 2002 when seasonally adjusted growth in U.S. non-farm employment was -1.1% and job losses totaled 1,494,400. *Economy.com* forecasts that the annualized percent change in real U.S. GDP will be 3.9 percent in 2004 and 3.0 percent in 2005. *Global Insight* projects that real U.S. GDP growth will be 4.2 percent in 2004 and 3.7 percent in 2005.

The factors underpinning Rhode Island's economic performance are similar to those supporting the national economy. *Economy.com* reported that the State's housing market has been steady in 2003 and *Global Insight* predicted that the median price for existing single family homes in Rhode Island would rise by 8.9 percent in 2003. This price appreciation comes on the heels of a 15.0 percent increase in the median price of existing single family homes in 2002. The robustness of the State's housing market has supported spending by Rhode Island consumers and this spending has resulted in strong growth in

The Economy

retail trade employment. The growth in retail trade employment helped offset decreases in employment in both the manufacturing and technology sectors. As a result, relative to the U.S. economy, the Rhode Island economy has fared well. Growth in Rhode Island personal income for the period of the fourth quarter of 2002 through the third quarter of 2003 was 4.2 percent, up from the 3.4 percent growth that occurred for the period of the fourth quarter of 2001 through the third quarter of 2002. Seasonally adjusted growth in Rhode Island non-farm employment in 2003 was 0.4 percent, an increase of 1,800 jobs over 2002. In 2002, seasonally adjusted growth in Rhode Island non-farm employment was 0.1 percent or 500 jobs. Thus, as the U.S. economy improved so did the Rhode Island economy with one distinct difference, Rhode Island's economy was in better shape initially than the U.S. economy.

Compared to other state economies in New England, Rhode Island's economy has also performed admirably. Rhode Island's personal income growth in the fourth quarter 2002 through the third quarter 2003 period trailed only that of Maine's and by only ten basis points, 4.2 percent for Rhode Island vs. 4.3 percent for Maine. Rhode Island's 4.2 percent personal income growth for this period was more than twice that of Massachusetts' 1.8 percent growth, nearly twice that of Connecticut's 2.4 percent growth, and nearly one and a half times that of New Hampshire's 2.9 percent. On the employment front, Rhode Island again outperforms four of the other five New England states. Rhode Island, along with Vermont, was one of only two New England states whose growth rates were positive in 2003. At 0.4 percent, the growth in Rhode Island's seasonally adjusted non-farm employment was 150 basis points greater than Connecticut's -1.1 percent growth rate, 180 basis points greater than Massachusetts' -1.4 percent growth, and 50 basis points greater than New Hampshire's -0.1 percent growth.

The Forecast

The November 2003 Consensus Economic Forecast				
Rates of Growth	FY 2002	FY 2003	FY 2004	FY 2005
Total Employment	-0.3%	0.4%	0.8%	1.3%
Personal Income	3.5%	4.0%	3.3%	3.9%
Wage and Salary Income	2.5%	3.9%	2.4%	4.7%
Farm Income	0.0%	0.0%	0.0%	0.0%
Non-farm Business Income	4.3%	6.4%	7.5%	6.4%
Dividends, Interest and Rent	0.5%	0.4%	0.4%	2.1%
Total Transfer Payments	12.1%	8.3%	5.4%	2.2%
Nominal Levels				
U.S. CPI-U	1.8%	2.2%	1.3%	1.5%
Unemployment Rate	4.9%	5.3%	5.2%	5.0%
Ten Year Treasury Notes	5.0%	4.0%	4.4%	5.0%
Three Month Treasury Bills	1.8%	2.2%	1.3%	1.5%

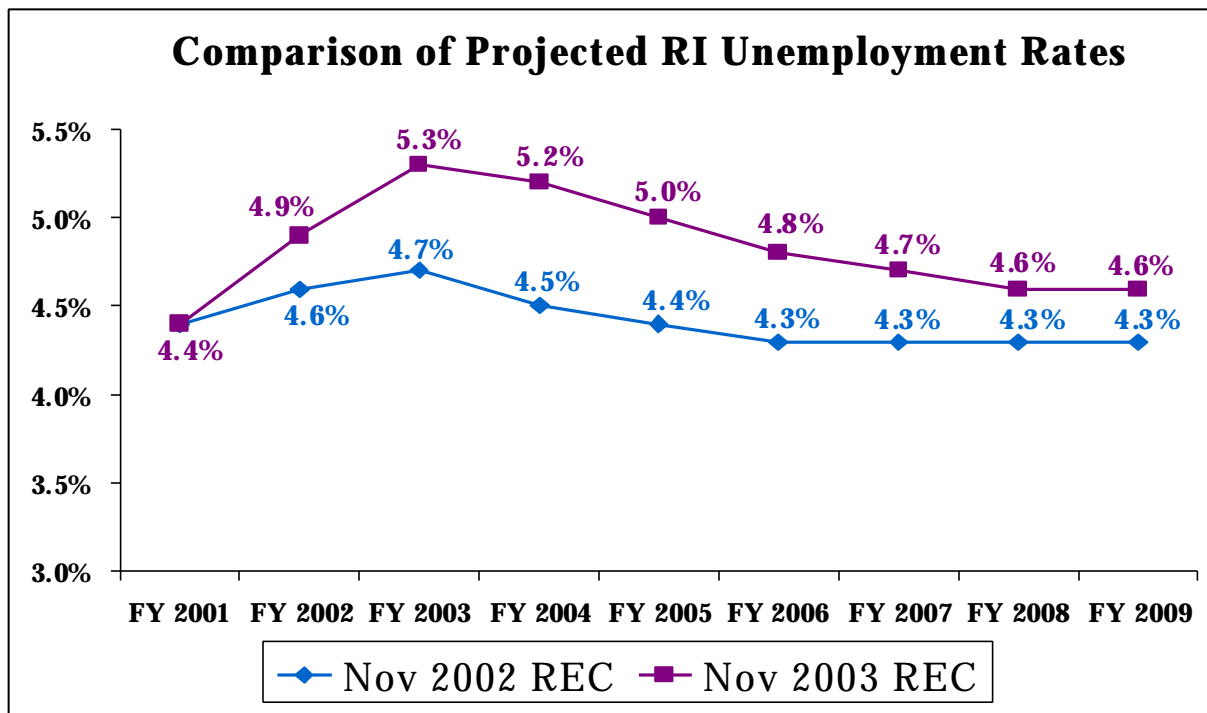
The Economy

The consensus economic forecast for the fiscal years 2002 to 2005 agreed upon by the conferees at the November 2003 Revenue Estimating Conference is shown in the table above. This forecast represents a downward revision in the projection for personal income from the November 2002 consensus economic forecast for FY 2004 and FY 2005. Conversely, it also represents an upward revision in the projection for non-farm employment for FY 2005. Thus, this forecast indicates that the Rhode Island economy will be able to create new jobs but that these new jobs will generally pay less as the cost of benefits, particularly health benefits, make up more of the growth in labor compensation.

Employment

According to the Rhode Island Department of Labor and Training (DLT), Rhode Island's seasonally adjusted unemployment rate peaked at 5.7 percent in June 2003, the highest level it had attained since January 1996. By December 2003, the State's unemployment rate had declined to 5.0 percent. In spite of the spike in the unemployment rate in June 2003, Rhode Island's unemployment rate in December 2003 was below the national average for the twenty-ninth consecutive month. The November 2003 Revenue Estimating Conference forecasts a decrease in the state's average unemployment rate to 5.2 percent in FY 2004 from 5.3 percent in FY 2003. In FY 2005, it is projected to decline further to 5.0 percent.

These projections are in sharp contrast to the forecasts made by the November 2002 Revenue Estimating Conference, the consensus of which anticipated the State rebounding smartly from the economic malaise it experienced in FY 2002. The graph below illustrates the difference between the November 2002 and November 2003 revenue estimating conferences' outlook with respect to the state's unemployment rate.

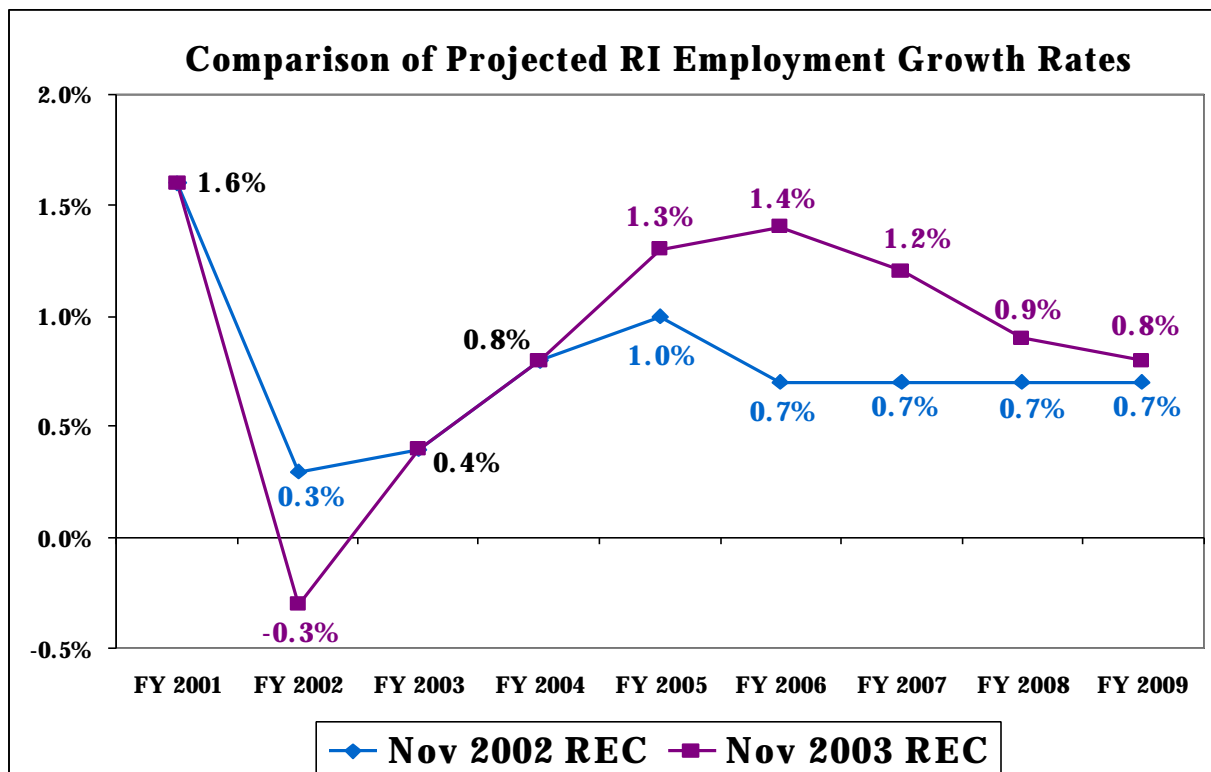


The Economy

As can be seen in the graph, at this time last year, the REC expected that the recovery would boost Rhode Island's job market, causing a decrease in unemployment in FY 2004. Note that the November 2002 REC projected a rate of unemployment 70 basis points lower than the current forecast. Note further, that the November 2002 REC forecasted an unemployment rate of 4.7 percent for FY 2003 when in reality it was 5.3 percent. The primary difference between the November 2002 and November 2003 consensus economic forecasts with respect to the State's unemployment rate is the jobless recovery that has gripped the nation and the New England region over the past 12 months.

According to DLT, employment at Rhode Island businesses was 487,100 in December 2003, an increase of 1,000 jobs, or 0.2%, over December 2002. The number of unemployed Rhode Islanders declined to 28,142 in December 2003 from 30,831 in December 2002. The November 2003 REC projects Rhode Island employment on a fiscal year basis to be approximately 483,500 in FY 2004, an increase of nearly 3,800 jobs from FY 2003 and in line with the employment growth that was forecast for FY 2004 at the November 2002 REC. For FY 2005, the November 2003 REC forecasts further job growth, with Rhode Island employment rising by approximately 6,300 jobs vs. the 4,900 job increase for FY 2005 forecast by the November 2002 Revenue Estimating Conference.

DLT reports that the state's Manufacturing sector shed 1,200 jobs in December 2003 vs. December 2002 and its Professional and Technical Services sector showed a decrease of 600 jobs for the same period. These job losses were more than offset by employment gains in Retail Trade, an increase of 1,600 jobs, and Health Care and Social Assistance with an increase of 600 jobs over the same period. The Other Services sector, such as Engineering and Accounting Services, showed an increase of 500 jobs, while Financial Activities, including Real Estate, had a decrease of 400 jobs. Rhode Island's Construction industry experienced growth of 600 jobs in December 2003 relative to December 2002.



The Economy

The chart above exhibits the forecasted changes in the growth of Rhode Island employment made at the November 2002 and November 2003 Revenue Estimating Conferences. Several differences are readily apparent when comparing the two forecasts. First, in November of 2002 the conferees were much more optimistic about the prospects for the Rhode Island economy in the near term. At that time, they anticipated Rhode Island employment growth of 0.3 percent for FY 2002 and 0.4 percent for FY 2003. In reality, the state's employment declined -0.3 percent in FY 2002 and experienced a rate of employment growth of 0.4 percent in FY 2003. Second, the November 2002 REC estimated a modest rebound in employment growth in FY 2004 to 0.8%, consistent with a mild recovery in the state's economy. The November 2003 REC forecasted the same increase in the rate of employment growth in FY 2004, reflecting a struggling recovery in the Rhode Island labor market. Finally, the participants at the November 2002 Revenue Estimating Conference projected a decelerating rate of growth in Rhode Island employment in FY 2005, consistent with a moderating economy. At the November 2003 Revenue Estimating Conference, the conferees predicted a sharper ramp up in Rhode Island employment growth of 1.3% in FY 2005, reflective of the fact that the state's economy was more drastically impacted by the national recession than was believed to be the case in November 2002.

In sum then, in terms of employment growth, the November 2002 REC forecasted a deceleration of employment growth in Rhode Island in FY 2002 would be followed by a mild acceleration in the Rhode Island labor market over the FY 2003—FY 2005 period. The November 2003 REC, on the other hand, has predicted that a contraction in the Rhode Island labor market in FY 2002 will be followed by an accelerating rate of employment growth over the FY 2003—FY 2005 period.

Personal Income

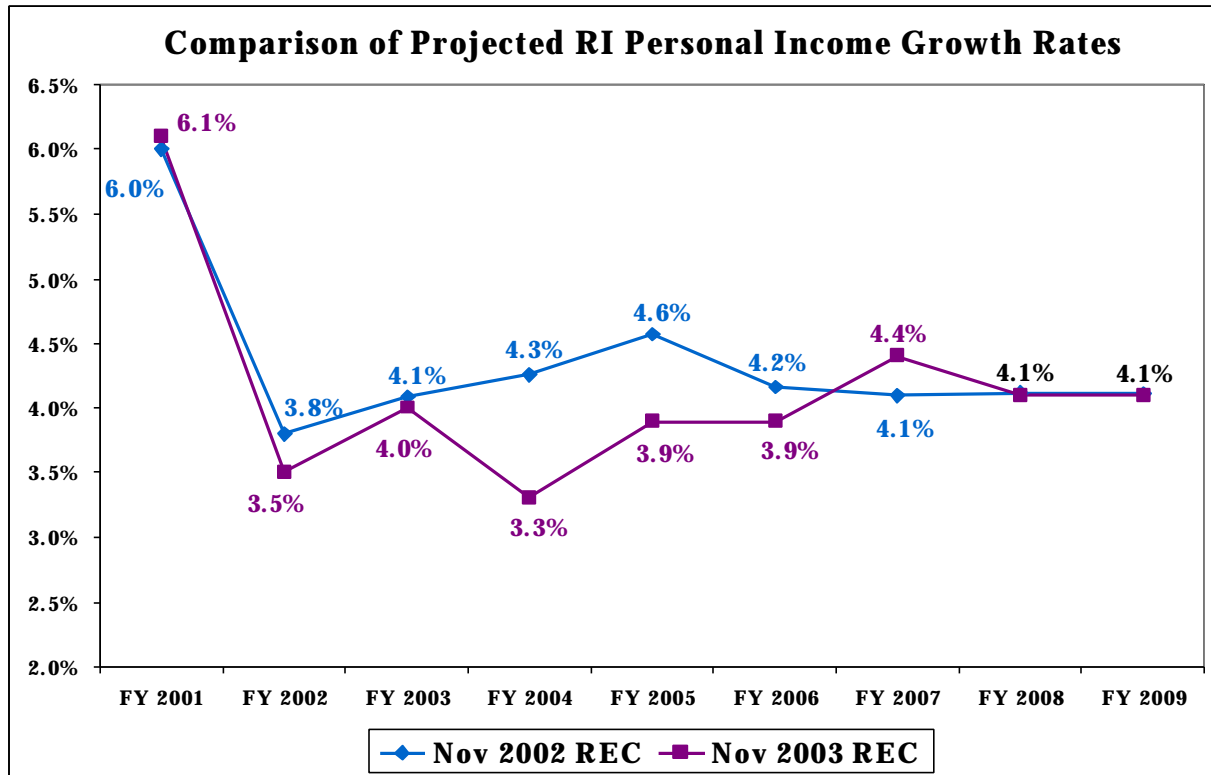
As was the case with the Rhode Island unemployment rate and the Rhode Island employment growth rate, the November 2003 Revenue Estimating Conference made significant changes to the forecast of Rhode Island personal income growth. This revision to the forecast was necessitated by two factors. First, the lack of a significant turnaround in the Massachusetts economy had the effect of depressing personal income growth in Rhode Island. Approximately, 11.0 percent of Rhode Island's in-state labor force commutes to Massachusetts to work. Second, the mix of wage and salary payments vs. non-income benefits in total labor compensation has shifted away from the former and toward the latter. Essentially, in lieu of increasing employee contributions for health benefits, firms have lowered or eliminated wage and salary increases thereby depressing personal income growth.

The graph above illustrates the difference between the two personal income forecasts. Note that this chart differs substantively from the previous charts for a variety of reasons. Although both forecasts are similar for FY 2001, with predicted growth rates of approximately 6.0 percent, they diverge sharply thereafter. This divergence, of course, is due to the different views of the future of the state's economy at the time the forecast was made. It should be noted that over the FY 1989—FY 2001 period, the average annual rate of growth in Rhode Island personal income was 4.7 percent.

In November of 2002, the conferees at the Revenue Estimating Conference had revised the growth rate in Rhode Island personal income upward to be more in line with the average annual growth rate that prevailed over the FY 1989—FY 2001 period. The upward revision reflected the participants' expectation that the state's economy had not been adversely impacted by the national recession. Given that the state's economy had gone through an economic slowdown rather than a recession in FY 2002, the forecasters made an upward adjustment to the rate of personal income growth in FY 2003 and a

The Economy

slight downward revision was made to Rhode Island personal income growth in FY 2004. Finally, the November 2002 REC revised upward the rate of growth in personal income in FY 2005 to 4.6 percent. This revision was made to capture the anticipated entry of the Massachusetts economy into the growth phase of its recovery from the recession. The November 2003 REC economic forecast makes adjustments to the November 2003 forecast to reflect the actual decline that occurred in the Rhode Island economy and to incorporate the lackluster performance of the Massachusetts economy.



In November 2003, the participants at the Revenue Estimating Conference projected that the growth rate in Rhode Island personal income would drop 120 basis points below the average annual growth rate of the FY 1989—FY 2001 period, to 3.5 percent. This revision was a 30 basis points decrease below the November 2002 REC forecast for FY 2002. The November 2003 REC growth rate would then improve to 4.0% in FY 2003, only 10 basis points below the November 2002 REC forecast. In FY 2004, the November 2003 REC forecast calls for the growth rate in Rhode Island personal income to drop to 3.3 percent due to the shift in labor compensation from wage and salary increases to non-income benefit cost increase deference. The November 2002 REC projected that Rhode Island personal income growth would rise slightly to 4.3 percent, 100 basis points higher than the November 2003 REC forecast. The November 2003 REC forecasts that personal income growth in FY 2005 will be 3.9 percent due to higher wage and salary payment increases and stronger dividend, interest, and rent payments. In spite of this increase, the November 2003 REC forecast for FY 2005 personal income growth remains 70 basis points below that of the November 2002 REC. In the out years, the November 2003 REC forecasted rate of growth in Rhode Island personal income would then revert to an average annual growth rate of 4.1 percent.

The Economy

Conclusion

The state's economy was the only economy in New England that did not experience a downturn in employment growth in calendar years 2002 and 2003. In addition, Rhode Island was one of only two New England economies that posted growth in personal income in excess of 3.0 percent for both the fourth quarter of 2001 through the third quarter of 2002 and the same period in 2002 – 2003. This record of economic performance allowed the state, unlike Connecticut and Massachusetts, to avoid the worst of the national recession and its aftermath. Of course, by not dropping as severely as its immediate neighbors, Rhode Island's recovery from the recession is also not likely to be as robust.

The Jobs Agenda

A Progress Report on Creating 20,000 Net New Jobs

In his 2003 State of the State address, Governor Carcieri set the goal of creating 20,000 net new jobs in Rhode Island over the next four years. One calendar year has passed and it is time to assess how the State's economy has performed so far in relation to the Governor's ambitious goal. The table below provides the current status of the Governor's 20,000 net new jobs pledge. In CY 2003, the State's economy added 1,767 net new jobs, or nearly 9.0 percent of the total jobs needed for the Governor to reach his goal. In the FY 2004 budget, it was determined that an average annual growth rate of 1.0 percent for the CY 2003 to CY 2006 period was needed to achieve the 20,000 net new jobs target. Applying the FY 2004 required average annual growth rate to the CY 2002 total employment level of 478,900, yields projected jobs growth of 4,924 for CY 2003. On an actual basis then, for CY 2003, Rhode Island job growth was 3,157 jobs less than what was predicted in the FY 2004 budget. As a result, the FY 2005 required average annual employment growth rate must equal 1.2 percent over the CY 2004 – CY 2005 period for the Governor to reach his 20,000 net new jobs goal by the end of his first term. It should be noted that the average annual growth rate for Rhode Island non-farm employment adopted in the November 2003 REC Consensus Economic Forecast is 1.3 percent, up sharply from the 0.7 percent average annual growth rate adopted in the November 2002 REC Consensus Economic Forecast. Finally, as is revealed in the table below, the November 2003 REC Consensus Economic Forecast projects the attainment of the Governor's goal by 2006.

<u>Nov 2003 REC</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	478,900	481,295	486,107	493,399	499,813
Jobs Added	450	2,394	4,813	7,292	6,414
Growth	0.1%	0.5%	1.0%	1.5%	1.3%
<u>Governor's Goal</u>	<u>CY 2002</u>	<u>CY 2003</u>	<u>CY 2004</u>	<u>CY 2005</u>	<u>CY 2006</u>
Total Employment	478,900	480,667	486,669	492,747	498,900
Jobs Added	450	1,767	6,002	6,077	6,153
Growth	0.1%	0.4%	1.2%	1.2%	1.2%

Table values are the twelve-month average of seasonally adjusted total non-farm employment in Rhode Island according to the U.S. Bureau of Labor Statistics (BLS). CY 2002 data is the actual value. The employment data for CY 2003 is based on eleven months of actual data for Rhode Island, January 2003 through November 2003, and one month of preliminary data, December 2003. The data for the "Nov 2003 REC" section of the table uses the total non-farm employment growth rates for CY 2003 – CY 2009 from the Consensus Economic Forecast adopted at the November 2003 Revenue Estimating Conference. The data for the "Governor's Goal" section of the table uses the preliminary actual data for CY 2003 and the average annual growth rate needed to achieve the 20,000 net new jobs goal for CY 2004 – CY 2006.

In the FY 2004 budget, the Governor proposed several areas in which he wanted to invest to help achieve his job creation goal. These areas included workforce quality, economic development policy, and putting the State in a more competitive position vis-à-vis the emerging new economy. The 2003 General Assembly concurred with all of the Governor's recommendations, providing full financing for all the initiatives except for the Samuel Slater Technology Fund, which was funded at 80 percent of the Governor's request. A breakdown of the Governor's recommended FY 2004 Jobs Agenda initiatives and an accounting of what the appropriated monies were spent on follows.

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FY 2004 Scorecard: Workforce Quality

In the area of workforce quality, the Governor recommended three initiatives. First, he proposed increasing funding for adult literacy programs by \$1.4 million. This level of funding was approved by the General Assembly. In October 2003, the Governor announced how these monies were to be distributed. Of the \$1.4 million appropriated, \$1.17 million went directly to adult literacy service providers across the state. These providers offer programs to address needs in family literacy, workforce literacy, and English as a Second Language. The \$1.17 million represents a supplement to funding already provided by the Human Resource Investment Council (HRIC) and the Rhode Island Department of Education (RIDE) and should help expand services and alleviate the long waiting lists that currently exist. The remaining monies will be used by the Governor's Adult Literacy Taskforce to finance creative ideas on how to better provide services and to address critical issues such as standards, professional capacity and curriculum development.

Second, the Governor proposed, and the General Assembly concurred, to provide an additional \$5.0 million to the Rhode Island Higher Education Assistance Authority (HEAA) in FY 2004. This additional funding, in conjunction with additional other funds in FY 2004, was used by HEAA to increase the maximum scholarship award to \$1,400 in academic year 2004 (AY 2004) from \$750 in academic year 2003 (AY 2003). Not only was the maximum award increased but so was the average scholarship award, rising from \$622 in AY 2003 to \$1,123 in AY 2004. These increases in the maximum and average scholarship awards allowed HEAA to double the percentage of student financial need met from 15 percent in AY 2003 to 30 percent in AY 2004. Finally, and perhaps most importantly, the number of students who received awards also increased from approximately 10,700 in AY 2003 to somewhere in the 11,000 to 11,500 range in AY 2004. In the FY 2004 Budget, it was written that "[T]he Governor's proposal will allow for an increase in the average grant and an increase in the number of Rhode Island students receiving them" and that is in fact what happened.

Third, the Governor proposed to invest an additional \$300,000 for the concept development and implementation process for the Rhode Island Biopharmaceutical Training and Manufacturing Center. The \$300,000 is allocated between finalizing the concept development and the launch of a pilot facility. The cost of finalizing the concept development is \$100,000. This process involves the benchmarking of similar facilities in other states, the finalizing of market and needs assessments for selected contract commercial activities, the developing of a workforce training curriculum, the finalizing of equipment and facility requirements and capabilities, and the pre-qualifying of engineering firms to assist in the development of the actual pilot facility. The cost of launching the pilot facility is \$200,000. It consists of the preliminary engineering work to launch a small-scale proof-of-concept facility within an existing building at URI, the preparation of bids to secure equipment for the pilot facility, and the installation of pilot equipment to begin training programs by the end of CY 2005.

FY 2004 Scorecard: Economic Development Policy

In the area of economic development policy, the Governor also recommended three initiatives. First, he proposed the establishment of a state matching grant fund for city and town economic development projects to be administered by the Rhode Island Economic Development Corporation (RIEDC). The Governor recommended \$500,000 for this initiative and the General Assembly agreed. As of January 2004, 32 projects in 25 communities and one statewide project had been approved for financing. These projects include \$15,000 for the Amgen sewer relocation project in Coventry, \$15,000 for

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infrastructure and signage improvements at the Narragansett Industrial Park in Pawtucket, and \$15,000 for the creation of a small business administration to assist businesses located in the Tiverton Industrial Park secure credit financing.

Second, the Governor proposed that the State switch from imposing on companies a graduated fee for new share authorizations to a flat \$160 fee for authorized share increases of up to 75,000,000. The purpose of this recommendation was to make it easier for start-up companies to attract venture capital financing. The General Assembly approved this recommendation. To date, four companies in the Slater Center for Design & Manufacturing, seven companies in the Slater Center for Biomedical Technology, and two companies in the Slater Center for Interactive Technologies have benefited from the changes made to the share-based fee schedule. These companies have made substantial increases in the number of authorized shares by either filing articles of incorporation, filing articles of merger or consolidation, or filing articles of amendment without incurring an onerous financial penalty for doing so.

Third, the Governor proposed to change the net income apportionment formula for manufacturers. In 2002, the formula was a one-third weight for in-state payroll, a one-third weight for in-state property tax, and a one-third weight for in-state sales. The Governor recommended changing the apportionment to a 30 percent weight for in-state payroll, a 30 percent weight for in-state property tax, and a 40 percent weight for in-state sales effective January 1, 2003. By making this change in the net income apportionment formula for manufacturers, the Governor sought to provide incentives to manufacturers to expand, or at least not contract, operations in the State. The General Assembly concurred with this proposal. Based on December 2003 year-over-year data, on a percentage basis, seasonally adjusted manufacturing job losses in Rhode Island were the lowest among the New England states (i.e., RI: -2.0 percent; CT: -4.3 percent; ME: -5.0 percent; MA: -2.5 percent; NH: -2.1 percent; and VT: -2.1 percent).

FY 2004 Scorecard: Position in the New Economy

In the area of improving the State's position in the new economy, the Governor proposed three initiatives. First, he recommended that the State's ethics code be revised so that professors at the State's public colleges and universities would not be in violation of it when commercializing applications of basic research findings that were developed while in the employ of the State. The General Assembly agreed with this proposal. At the time of the submission of the Governor's FY 2005 Budget, the Rhode Island Board of Governors for Higher Education indicated that a draft policy on the new intellectual property rules for academicians was a couple of weeks away from completion. Upon completion of the draft policy, it will be vetted by both the University of Rhode Island administration and the Rhode Island Ethics Commission and a final policy will be put into place. In anticipation of this finalized policy, nine new projects at the University of Rhode Island have been identified as potentially suitable for commercialization.

Second, the Governor recommended that an additional \$300,000 be allocated to the University of Rhode Island for architectural and engineering work on the proposed \$50.0 million Center for Biotechnology and Life Sciences. The General Assembly concurred with this recommendation, providing a total of \$500,000. After the November 2003 Caseload and Revenue Estimating Conferences, it was determined that the State faced a \$37.0 million deficit in FY 2004. As part of the

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additional funding has enabled the Fund to eliminate staff turnover, to “recruit three world class venture capitalists, a visible bank executive, and an angel investor to its governance process,” and to develop higher quality proposals for venture capital financing. As a result of this change in focus to develop companies better able to secure venture capital financing, the time and resources needed have increased. Thus, the initial, or catalytic, funding required by a Slater company has increased from \$75,000 to upward of \$150,000. In addition, follow-on funding to accelerate a Slater company into the marketplace has risen from \$150,000 to upward of \$300,000. In FY 2004, nine new companies were added to the Slater portfolio.

The FY 2005 Jobs Agenda

The Governor’s FY 2005 Jobs Agenda builds on the foundation that was built in the FY 2004 budget. There are six proposals that received funding in FY 2004 and are recommended for continued funding in FY 2005. These proposals broadly fall into the categories of workforce quality, economic development policy, and positioning the State to participate fully in the new economy. The Governor also proposes six new jobs initiatives.

FY 2005 Building on the Foundation: Workforce Quality

In the FY 2005 Budget, the Governor recommends the continued support of the following initiatives to further develop the quality of the State’s workforce:

1. Adult Literacy: The Governor proposes to have the Human Resources Investment Council (HRIC) provide \$3.4 million in financing for adult literacy programs in the state. The Department of Labor and Training proposed spending \$2.0 million of HRIC monies on adult literacy in FY 2005. The Governor seeks to increase the financing from this source by an additional \$1.4 million and reduce the amount of general revenue financing by an equivalent amount. In total, financing of adult literacy programs will increase by \$500,000, or 17.2 percent, in the Governor’s FY 2005 budget.
2. Higher Education Assistance Authority: The Governor recommends total funding for needs-based and other college scholarships of \$13.8 million in his FY 2005 budget. Of this total, \$8.9 million is from general revenues, \$376,272 is from federal funds, and \$4.5 million is from other funds, namely the Rhode Island 529 Tuition Savings Plan better known as the Rhode Island CollegeBoundfund. This recommendation is a \$1.0 million decrease in general revenue financing, however, the Governor’s proposal increases financing for scholarships from other funds by \$1.3 million over the FY 2004 enacted level. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students. Thus, the end result is an increase of \$0.3 million in scholarship monies for FY 2005 over the enacted FY 2004 budget.

FY 2005 Building on the Foundation: Economic Development Policy

In the FY 2005 Budget, the Governor recommends the continued support of the following initiatives to bring further coherence to the state’s economic development policy:

1. Community Economic Development Grants: The Governor proposes the continued funding at \$500,000 of the state matching grant fund for city and town economic development projects that is administered by the Rhode Island Economic Development Corporation (RIEDC). In

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scholarships for students. Thus, the end result is an increase of \$0.3 million in scholarship monies for FY 2005 over the enacted FY 2004 budget.

FY 2005 Building on the Foundation: Economic Development Policy

In the FY 2005 Budget, the Governor recommends the continued support of the following initiatives to bring further coherence to the state's economic development policy:

1. Community Economic Development Grants: The Governor proposes the continued funding at \$500,000 of the state matching grant fund for city and town economic development projects that is administered by the Rhode Island Economic Development Corporation (RIEDC). In FY 2004, 33 projects were financed from this program and a similar number are to be funded in FY 2005.
2. Manufacturers' Corporate Income Tax Apportionment Formula: In his FY 2004 budget, the Governor recommended that the net income apportionment formula used for computing corporate income tax liability for Rhode Island manufacturers be modified to provide them with incentives to expand their in-state operations. The first phase of this modification took effect for the 2003 tax year. The second phase establishes a double-weighted sales apportionment formula where there is a 25 percent weight for in-state payroll, a 25 percent weight for in-state property tax, and a 50 percent weight for in-state sales effective January 1, 2004.

FY 2005 Building on the Foundation: RI's Position in the New Economy

In the FY 2005 Budget, the Governor recommends the continued support of the following initiatives to further enhance the State's competitive position in the new economy:

1. URI Center for Biotechnology and Life Sciences: In the revised FY 2004 budget, the Governor proposed deferring \$200,000 of the \$500,000 appropriated for the architectural and engineering work on this project into FY 2005 to reflect the revised timing of disbursements. The Governor recommends carrying forward any unexpended FY2004 funds into FY2005. In addition, the Governor recommends in his FY 2005 Capital Budget that a \$50.0 million bond referendum be put before the voters in November 2004 to finance the project.
2. The Samuel Slater Technology Fund: The Governor recommends continued financing of \$4.0 million for The Samuel Slater Technology Fund. The Samuel Slater Technology Fund has been in existence since 1997. In that time period, Slater managers have worked with 81 companies in the State, most of which have been start-ups. The leveraging of State funds with outside investments has risen from \$10.10 of outside invested funds for every \$1.00 of Slater money invested to \$13.40 of outside investment for every \$1.00 of Slater resources expended. A recent survey conducted by the fund tracked the creation of 487 jobs in only 60 percent of Slater client companies. These jobs represent only the most recent ones created by Slater companies and there is significant upside potential for employment growth as these firms begin to draw more venture capital investment. According to the National Venture Capital Association, although total venture capital financing is not expected to change much, the focus will shift to early-stage investing in 2004 with more new companies getting financing.

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FY 2005 New Jobs Agenda Initiatives

In addition to the above carry-over initiatives from FY 2004, the Governor proposes six new initiatives in FY 2005 that seek to further enhance job development in the State. These six initiatives broadly fall into the categories of workforce quality, economic development policy, and the State's competitive position in the new economy.

FY 2005 New Jobs Agenda Initiatives: Workforce Quality

In the FY 2005 Budget, the Governor recommends the following new initiative in the area of workforce quality:

1. **Bonding for the New Brown & Sharpe Building**: The Governor realizes that as the quality of the State's workforce improves it is necessary for good job opportunities to be available. In furtherance of this objective, the Governor proposes that the RIEDC issue taxable economic development revenue bonds of not more than \$15,000,000 to finance the acquisition of land and the development and construction of a manufacturing facility for use by Brown & Sharpe, Inc. at Keifer Park in the Town of North Kingstown. This new facility is needed for the production of a new product invention called "ONE" CMM that was introduced by Brown & Sharpe's parent Hexagon AB in September of 2003. Debt service on the revenue bonds is to be paid through lease payments made by Brown & Sharpe. Currently, Brown & Sharpe employs 255 people and has a total annual payroll of \$13.5 million. These jobs pay, on average, \$53,000 annually with range of \$25,895 to \$233,000. Eighty percent of the jobs at Brown & Sharpe pay, on average, between \$39,411 and \$63,912 annually. These are precisely the types of jobs the Governor wants to attract and retain in the State.

FY 2005 New Jobs Agenda Initiatives: Economic Development Policy

The Governor recommends the following new initiatives in the area of economic development policy. The first initiative listed below has been submitted as a stand-alone piece of legislation on the Governor's behalf. The second initiative listed below is included in the Governor's FY 2005 Budget.

1. **Quonset Point/Davisville Management Act**: In FY 2004, the Governor functionally separated the Quonset Point/Davisville Port and Commerce Park from the RIEDC. This action allowed the Quonset Point/Davisville Port and Commerce Park to focus solely on the former Navy base's current and prospective tenants. In FY 2005, the Governor proposes the creation of a seven-member board of directors with the power to directly manage the affairs and assets of the park. The board would include representatives from the towns of North Kingstown and Jamestown and be chaired by the executive director of RIEDC.
2. **Quonset Point/Davisville Port and Commerce Park**: The Governor recommends a new bond referendum totaling \$48.0 million to further the re-development of the Quonset Point/Davisville Port and Commerce Park. In particular, the monies borrowed will be used to continue the demolition of dilapidated buildings in the Park with the goal of assembling marketable parcels of land for sale or lease. Construction of roadways in the Park and the realignment of utilities will improve access to various portions of the Park. Upgrades of internal rail lines will connect the West Davisville portion of the Park with the Quonset Point

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and Davisville waterfronts providing for rail transport of goods and services from source to end user. Replacement of the Davisville bulkhead will make this part of the Park safe for marine activity. Other work to be completed with the securing of this new financing includes construction of a new fire station in the Park, an esplanade along the Davisville waterfront, and HVAC repairs and sprinkler system installations at existing buildings. This bond referendum will be put before the voters in November 2004.

FY 2005 New Jobs Agenda Initiatives: RI's Position in the New Economy

The Governor recommends the following new initiatives to help position Rhode Island to be competitive in the new economy. The first two initiatives listed below have been included in the Governor's FY 2005 Budget. The third initiative has been submitted as a stand-alone piece of legislation on the Governor's behalf. These initiatives are:

1. Marine BioScience Research and Business Park: The Governor proposes new funding of \$200,000 to finance architectural and design work for a Marine BioScience Research and Business Park, most likely to be located at the Quonset Point/Davisville Port and Commerce Park. The purpose of this funding is to provide a catalyst to attract sufficient private capital to Rhode Island to build on the State's expertise in marine sciences and aquaculture. Marine biotechnology and aquaculture are two distinct businesses that share important common science platforms that allow for an overlapping facility. This facility would allow for fish physiology and disease research to be conducted conjointly with vaccine research and testing, marine microorganism production and marine genomics. There is a small but growing need for a large scale marine bioscience research facility in the U.S. and this proposal would put the State in a position to be a player in this nascent industry.
2. Experimental Program to Stimulate Competitive Research: The Governor recommends \$1.5 million in new funding for the State's participation in the National Science Foundation's (NSF) *Experimental Program to Stimulate Competitive Research* (EPSCoR). The intent of EPSCoR is to establish a partnership between state government, higher education, and industry to effect lasting improvements in research infrastructure and national research and development (R&D) competitiveness. EPSCoR is limited to states that historically have received less than 0.7 percent of NSF R&D funding, demonstrate a commitment to develop a research base and improve the quality of science, technology, engineering and mathematics research conducted at universities and colleges. Rhode Island's EPSCoR lead institutions would be Brown University and the University of Rhode Island and the EPSCoR effort would focus on life sciences since the state is committed to growing its life sciences/biotechnology industry. The State stands to gain \$3.0 million per year in NSF funding over the next three years for the annual \$1.5 million appropriation sought by the Governor.
3. Creative Companies Act: The Governor supports the RIEDC's efforts to encourage the establishment of entrepreneurial companies in the State and to attract venture capital financing for these new firms. This legislation will enable the RIEDC to grant exemption from Rhode Island personal income tax any income, capital gain, or preference items for investors in, managers of, and owners of companies that have been certified as a creative company. To be certified as a creative company, a firm must reasonably demonstrate the potential within five years of certification for annual gross revenues of no less than \$25.0

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million. In addition, a certified creative company must either create in Rhode Island at least 200 jobs or have an annual payroll to Rhode Island employees of no less than \$10.0 million. No more than 20 companies per year may be granted creative company status.

General Revenues

Introduction

The Governor's recommended budgets are based on general revenues of \$2.801 billion in FY 2004 and \$2.958 billion in FY 2005. Annual estimated growth during FY 2004 and FY 2005 is 1.8 percent and 5.6 percent, respectively. Estimated deposits of \$56.9 million and \$59.2 million will be made to the Budget Reserve and Cash Stabilization Fund during these fiscal years.

The aforementioned estimates are predicated upon the November 2003 Consensus Revenue Estimating Conference estimates and changes to general revenues recommended by the Governor. The Consensus Revenue Estimating Conference is required by statute to convene at least twice annually to forecast general revenues for the current year and the budget year, based upon current law and collection trends, and the consensus economic forecast. The Conference members are the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. Typically, the two required meetings of the Consensus Revenue Estimating Conference occur in November and May of each fiscal year.

FY 2004 Revised Revenues

The November 2003 conference revised the FY 2004 enacted revenue estimate downward by \$20.5 million, a 0.7 percent decrease. The Governor recommends an increase of \$15.7 million in new revenues, as shown in the *General Revenue Changes to Adopted Estimates* table in this document. This \$15.7 million in recommended changes to the adopted estimates breaks down as follows:

- \$10.0 million from enhancements to federal uncompensated care distributions that benefit Slater Hospital;
- \$4.1 million from the transfer of the dog kennel owners portion of Lincoln Park's video lottery revenue to the State's general fund;
- \$710,856 from increased drug manufacturer rebates associated with the Rhode Island Pharmacy Assistance to the Elderly program's expanded formulary;
- \$472,000 from an increase in the gas tax transfer to the general fund from the Rhode Island Public Transit Authority's current share of the state's \$0.30 per gallon gas tax; and
- \$428,564 from the elimination of a monthly bonus paid to state assistance families that receive child support from non-custodial parents.

FY 2004 Revised Revenues vs. FY 2003 Preliminary Revenues

Recommended revenues for FY 2004 are predicated upon a \$49.9 million increase in total general revenues over FY 2003, or growth of 1.8 percent. The largest contributing factor to this increase is the projected rise in tax collections from FY 2003, an increase of approximately \$110.0 million. Nearly all tax categories are expected to exhibit increased collections. Personal Income Tax collections are forecasted to increase by \$41.6 million, due to increased income tax withholding payments of \$25.4 million. General Business Tax collections are projected to decrease by \$3.6 million, due to an anticipated decrease in Financial Institutions taxes collected of \$23.3 million. Excise Tax collections are anticipated to increase by \$66.9 million, attributable to an increase in Sales and Use Taxes of \$38.1 million and to increased Cigarette Tax collections of \$27.0 million as a result of the increase in the State cigarette tax to \$1.71 per pack. Other Taxes are estimated to increase \$5.1 million, \$4.1 million of which is in increased Inheritance Tax collections. Departmental Receipts are expected to increase by

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\$14.7 million, \$11.1 million of which is due to the Governor's recommended changes to the adopted estimates.

In addition to the above general revenue components, decreases are forecasted in FY 2004 for the Gas Tax Transfer to the general fund and the Other Miscellaneous general revenue category. In the case of the Gas Tax Transfer, a decrease of \$18.4 million is forecasted and is largely attributable to the transfer of \$14.3 million in DOT's debt service savings in FY 2003 that will not be repeated in FY 2004. In addition, in the FY 2004 enacted budget, six-tenths of one cent of the gas tax was transferred from the general fund to RIPTA. The Governor's FY 2004 supplemental budget reverses this transfer but not until May 1, 2004. Thus, \$2.4 million of this transfer from the general fund will occur prior to this reversal. Also, in FY 2003, the general fund received an additional one-quarter cent of the gas tax. This amount was allocated to the Department of Transportation in FY 2004 and resulted in a reduction in gas tax revenue for the general fund of \$1.2 million. In the case of Other Miscellaneous general revenues, a \$113.0 million decrease is projected. This large decrease is due primarily to the selling of the State's tobacco Master Settlement Agreement payments effective January 1, 2004 and the utilization of the final tobacco securitization proceeds in FY 2003. In FY 2003, these two components totaled \$166.2 million. The loss of these revenues is offset in part by the \$50.0 million in federal fiscal relief the State received in FY 2004.

Finally, for FY 2004, increases are estimated for Lottery transfers to the general fund and the Unclaimed Property transfer to the general fund. In the case of Lottery transfers, an increase of \$50.5 million is projected for FY 2004. This increase is attributable to two factors. First is the expected growth in video lottery net terminal income from higher utilization of existing and new machines (2,478 VLTs were in place in FY 2003 vs. 3,292 in place in FY 2004). Second is the Governor's proposal to transfer the dog kennel owners allocation of Lincoln Park's net terminal income to the general fund. The Unclaimed Property transfer to the general fund is expected to increase by \$6.0 million in FY 2004. This increase is due to both a greater recapture of unclaimed proceeds from insurance company demutualizations and increased income from Fleet Bank prior to the completion of its acquisition by Bank of America.

As noted above, personal income tax collections are forecasted to increase by \$41.6 million in FY 2004 over FY 2003, an increase of 5.1 percent. The revenue gains in personal income tax collections will be slightly muted due to tax rate reductions. The personal income tax rate was last reduced on January 1, 2002. This reduction in the personal income tax rate is expected to result in decreased revenues of approximately \$4.2 million in FY 2004. The increased Investment Tax Credit and Research and Development Tax Credits also continue to impact tax collections in FY 2004, as individuals and businesses continue to reap the benefits of an improved tax structure in Rhode Island. Personal income taxes are expected to comprise 30.5 percent of all general revenues collected in FY 2004 and total \$854.9 million.

The Sales Tax is expected to show gains in FY 2004 collections of \$38.1 million over FY 2003 collections. Sales taxes represent 29.1 percent of total general revenues in FY 2004. The continued strength in sales and use tax collections in Rhode Island is due in large part to the State's strong housing market, historically low long-term interest rates, and another wave of mortgage refinancing by homeowners. According to a 2002 survey conducted by Fannie Mae, cash raised via either home equity borrowing or cash-out refinancing has been used by households for home improvements (42%), to pay down existing debt (30%), to purchase cars or other items (15%), and to purchase appliances or furniture (13%). From the State's perspective, the distribution of this consumption activity is

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significant, as most of the spending has been concentrated on items that are subject to the 7.0 percent state sales tax. Anticipated collections in FY 2004 are \$816.0 million reflecting a growth rate of 4.9 percent over FY 2003 collections.

Within the sales and use tax category, motor vehicle tax collections are expected to reach \$48.9 million in FY 2004, an increase of 3.9 percent over FY 2003 collections. The Motor Fuel tax estimate of \$700,000 is 31.5 percent less than FY 2003 collections. The revised FY 2004 Cigarette Tax estimate of \$121.4 million is an upward revision of \$2.2 million from the FY 2004 enacted budget. Both the revised estimate and the enacted estimate reflect the 2003 Assembly's enactment of an increase in the cigarette tax from \$1.32 per pack to \$1.71 per pack effective July 1, 2003. The FY 2004 estimate for cigarette tax collections is an increase of \$27.0 million over FY 2003 collections, or a 28.6 percent increase. Cigarette taxes are estimated to comprise 4.3 percent of total general revenues in FY 2004.

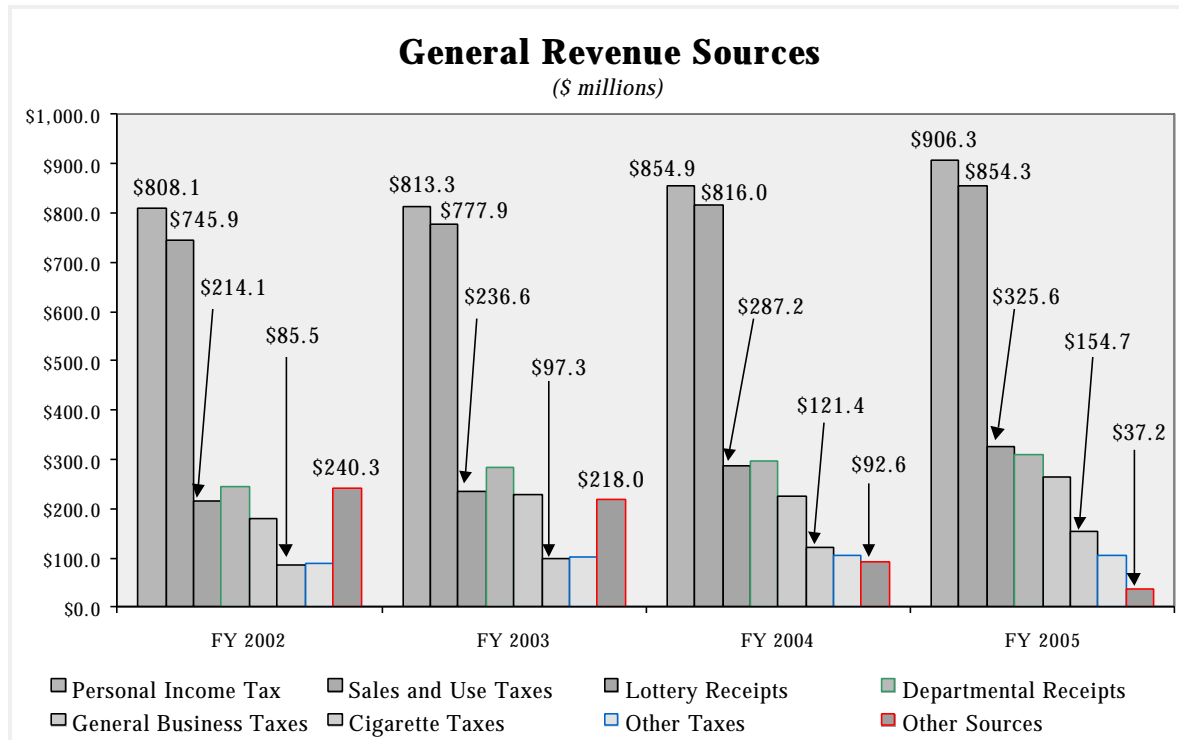
Positive growth is expected in most categories of general business taxes. FY 2004 Business Corporations taxes are expected to rise \$4.6 million above FY 2003 collections while Insurance Companies taxes are anticipated to be \$687,425 lower than in FY 2003. The Business Corporations Tax and the Insurance Companies Tax are expected to generate revenues of \$68.5 million, and \$50.6 million, respectively. The Public Utilities Gross Earnings Tax is expected to garner \$77.8 million, an increase of \$2.7 million over FY 2003 collections. The Health Care Provider Tax is estimated to yield \$41.2 million, an increase of \$13.1 million over the \$28.9 million collected in FY 2003. The increase in Health Care Provider Assessments is due to the 2003 Assembly's actions that broadened the tax base for group home provider assessments and increased the tax on nursing homes. The Financial Institutions Tax is projected to decrease by \$23.3 million in FY 2004 to -\$13.5 million. This decrease is attributable to that fact that a taxpayer overpaid its Financial Institution taxes on a cumulative basis by \$21.5 million over the last several fiscal years. To date, this taxpayer has received a \$10.7 million refund from the State and it is anticipated that the remaining \$10.8 million will be refunded in the spring of 2004.

Inheritance and Gift Taxes are expected to yield \$4.1 million more in FY 2004 than in FY 2003, with estimated collections of \$28.5 million. This decline is due to the nature of the tax itself, which can be affected markedly by the passing of a single wealthy taxpayer. Racing and Athletic Taxes are expected to continue their downward trend in FY 2004 totaling \$4.9 million, a decrease of 7.7 percent from FY 2003 levels. Realty Transfer Taxes are expected to total \$10.8 million in FY 2004, an increase of \$1.3 million from FY 2003 collections. This increase in collections is due to the strong housing market in the state particularly in the first half of this fiscal year.

In FY 2004, Departmental Receipts are estimated at \$298.2 million, an increase of \$14.8 million from FY 2003 collections, or 5.2 percent. Other Miscellaneous Revenues are expected to total \$71.0 million in FY 2004, a decrease of \$113.0 million from FY 2003 collections. The key difference from FY 2003 collections in this general revenue category is the reduced availability of proceeds from the 2002 tobacco securitization deal. In FY 2003, \$113.5 million in tobacco securitization proceeds were used vs. the \$1.6 million available for FY 2004. In addition, the State tobacco Master Settlement Agreement payment in FY 2004 will be \$453,662. In FY 2003, these payments totaled \$52.7 million. Finally, the Lottery Transfer is expected to be \$287.2 million in FY 2004, including the Governor's proposed change to the VLT split. This is an increase of 21.4 percent over the FY 2003 transfer and is 10.3 percent of total general revenues in FY 2004.

General Revenues

The chart on the below shows the sources of general revenues for the period FY 2002 – FY 2005. The values of the two major sources of general revenues, personal income taxes and sales and use taxes, are highlighted. In addition, the values of those categories for which the Governor’s FY 2004 – FY 2005 budget recommends substantial changes are also shown.



FY 2005 Proposed Revenues

The Governor’s recommended FY 2005 general revenue estimate of \$2.958 billion is 5.6 percent greater than FY 2004 revised levels. The largest source of FY 2005 general revenues is the personal income tax, with estimated receipts of \$906.3 million, \$13.2 million more than the November REC estimate for FY 2005, or an increase of 1.5 percent. Of this \$13.2 million increase, \$7.3 million is attributable to the Governor’s Fiscal Fitness initiative to require a tax clearance before the issuance or renewal of a professional license, a driver’s license, or an automobile registration. The remaining \$5.9 million in increased personal income tax collections is associated with the repeal of ineffectual tax credits and the requirement that nonresident shareholders have taxes withheld from income received from pass-through entities. Personal Income Taxes are expected to comprise 30.6 percent of total general revenues in FY 2005.

Sales Tax collections are expected to total \$854.3 million in FY 2005, a \$4.3 million, or 0.5 percent, increase from the FY 2005 estimate agreed upon at the November 2003 REC. The Governor’s FY 2005 recommended estimate represents growth of 4.7 percent over the FY 2004 revised estimate. The FY 2005 sales tax figure includes an additional \$2.4 million in revenues associated with the Governor’s proposal to increase the State’s cigarette tax by \$0.75 per pack (see below). The remaining \$1.9 million of additional sales tax revenue in FY 2005 is due to the Governor’s Fiscal Fitness initiative to require that cigarette distributors pre-pay the state sales tax when purchasing cigarette tax stamps. Sales and Use Taxes are anticipated to contribute 28.9 percent to total general revenues in FY 2005.

General Revenues

Cigarette Tax collections are expected to rise by \$38.4 million in the Governor's recommended FY 2005 budget from the November 2003 REC estimate, an increase of 27.5 percent. The overwhelming majority of this increase is predicated upon the adoption of the Governor's recommendation to increase the State's cigarette tax by \$0.75 per pack. Adoption of this proposal will result in a State cigarette tax of \$2.46 per pack beginning on July 1, 2004. The Rhode Island Department of Health strongly supports this initiative and argues that a substantial increase in the cigarette tax is needed to induce current smokers to quit smoking. In addition, a high cigarette tax provides an effective deterrent to the initiation of smoking by teenagers and young adults. The higher cigarette tax is estimated to generate an additional \$34.2 million in taxes on packs sold and \$3.7 million in cigarette floor stock taxes. Packs sold are estimated to decrease by just over 10.2 percent as a result of the tax increase. The remaining \$574,177 in increased cigarette tax collections is due to a proposed change in state law that will freeze distributors' cigarette stamping discount at its current nominal level. In FY 2005, total cigarette tax revenues are expected to equal 5.2 percent of total general revenues. Other sales and use tax components are expected to remain at the levels adopted for FY 2005 at the November 2003 Revenue Estimating Conference.

General business taxes represent 8.9 percent of total general revenue collections in the FY 2005 budget year. Business Corporation Tax revenues are expected to yield \$77.6 million, an increase of 10.9 percent, or \$7.6 million, from the FY 2005 estimate agreed to at the November 2003 REC. This increase is a result of the Governor's proposal to increase Rhode Island's minimum corporate income and franchise tax to \$450, comparable to Massachusetts' minimum corporate income tax, raising \$7.0 million in revenue. The remaining \$0.6 million in revenue is due to the repeal of inefficacious tax credits currently available to corporations with operations in the state. Business Corporations tax collections are projected to be 13.3 percent higher than the revised FY 2004 estimate. Insurance Taxes, Public Utilities Gross Earnings Taxes, Health Care Provider Assessments, Bank Deposits Taxes and Financial Institutions Taxes are estimated at the levels adopted at the November 2003 Revenue Estimating Conference. These taxes are expected to comprise 6.3 percent of total general revenues in the recommended FY 2005 budget.

Inheritance and Gift Taxes and Realty Transfer Taxes are estimated at the same levels adopted at the November 2003 REC. That is, they are expected to grow slightly, if at all, from their revised FY 2004 levels, with anticipated collections of \$28.5 million and \$10.9 million, respectively. Racing and Athletics Taxes are also estimated at the level adopted at the November 2003 REC. This estimate represents a decline of \$100,000, or -0.2 percent, from the revised FY 2004 estimate. Total Racing and Athletics Taxes projected in FY 2005 is \$4.8 million. The total of these Other Taxes make up 1.5 percent of total general revenues in FY 2005.

FY 2005 departmental receipts are expected to generate \$83.0 million more than the revised FY 2004 budget. The Governor recommends that the Hospital Licensing Fee be continued for one year at the current rate of assessment, yielding \$62.4 million in FY 2005. The FY 2005 recommended departmental receipts figure also includes the Governor's Fiscal Fitness proposals for increases of \$4.5 million in fees for the Departments of Administration, Business Regulation, Children, Youth and Families, Education, Environmental Management, Health, Labor and Training, and Transportation. Further, the Fiscal Fitness proposal to eliminate the \$50 per month bonus paid to public assistance families that receive child support from non-custodial parents is carried forward to FY 2005. In FY 2005, the value of this proposal is \$1.7 million. The FY 2005 recommended budget also continues the enhancement to uncompensated care reimbursements to Slater Hospital proposed in the revised FY

General Revenues

2004 budget. The value of this enhancement is \$10.6 million in FY 2005. Net drug manufacturer rebates are expected to total \$541,009 in FY 2005. Expansion of the RIPAE formulary will yield \$1.2 million more in rebates while the implementation of the RIPAE drug card program will reduce rebates by \$679,050. Finally, \$5.0 million in departmental receipts is generated from the sale of surplus DEM property and from requiring income tax refund offsets against outstanding traffic fines. Including the proposed changes, departmental revenues are expected to be \$310.8 million in FY 2005, or 10.5% of total general revenues.

The “Other Sources” component total of \$362.7 million in FY 2005 represents a decrease of 4.5 percent, or \$17.1 million, compared to the revised revenue estimate for FY 2004. The change in other sources of revenue is distributed among the three major components of this category. Within the “Gas Tax Transfer” component, the Governor’s FY 2005 budget shows an increase of \$2.5 million, or 35.6 percent, from the revised FY 2004 level. This increase in the Gas Tax Transfer is a result of re-allocating six-tenths of one cent of RIPTA’s share of the State’s gas tax to the general fund to finance the state match to enhanced federal reimbursements for the RIte Care transportation program. The Gas Tax Transfer is expected to yield \$9.6 million, comprising 0.3 percent of total general revenues.

Within the “Other Miscellaneous Revenues” category, the Governor’s FY 2005 budget is \$52.0 million less than the revised FY 2004 level, a drop of 73.2 percent. This drastic decline is due to the fact that the State received \$50.0 million in federal fiscal relief in FY 2004, and this federal largesse will not be repeated in FY 2005. The Governor’s FY 2005 budget also recommends transferring \$4.3 million in retained earnings from the Rhode Island Resource Recovery Corporation. Other Miscellaneous Revenues are anticipated to be \$19.0 million in FY 2005, amounting to 0.6 percent of all general revenues.

Within the “Lottery” category, the FY 2005 budget is \$38.4 million greater than the revised FY 2004 budget, an increase of 13.4 percent. There are two primary sources for this increase, both having to do with the operation of video lottery terminals at the state’s two licensed gaming facilities. First, FY 2005 is the first full year in which the 814 video lottery terminals that were installed at Lincoln Park and Newport Grand in the spring of 2003 are in operation. In addition, in December of 2003, GTECH, as required by its contract with the Rhode Island Lottery, replaced one-half of its video lottery terminals with better performing machines. The combination of these events and the expected growth in the handle of all other VLTs results in an increase of \$23.7 million. Second, the Governor proposed in his FY 2004 budget to eliminate the portion of video lottery revenue that is paid to the dog kennel owners at Lincoln Park and to transfer that amount to the general fund. In FY 2005, this proposal yields \$10.5 million. The remaining \$4.2 million in increased lottery transfer revenues is due to the growth in instant (i.e., scratch tickets) and on-line lottery games (i.e., Powerball, Keno). In FY 2005, the lottery transfer is expected to be \$325.6 million and comprise 11.0 percent of total general revenues.

The final category of general revenue receipts is the Unclaimed Property transfer. In FY 2005, this transfer is expected to decline by \$5.9 million, or 40.9 percent, from the revised FY 2004 estimate. The source of this decline is primarily due to an unexpected increase in unclaimed property payments made by Fleet Bank in FY 2004 as a result of its acquisition by Bank of America. This influx of revenue is not expected again in FY 2005. The Unclaimed Property transfer is projected to be \$8.6 million in FY 2005, and comprise 0.3 percent of all general revenues.

Non-General Revenue Receipts

The FY 2005 budget recommends appropriation of funds totaling of \$5.946 billion. The largest source of funds is general revenue, reflecting \$2.899 billion or 48.8 percent of this total. Federal funds of \$1.876 billion are the next largest component, comprising 31.6 percent of all funds. Other Sources of \$1.047 billion are the third largest total, and account for 17.6 percent of the total. Restricted receipts, or dedicated fee funds, equal \$123.4 million, or 2.1 percent of all appropriated funds. General Revenue expenditures are discussed in greater detail on the following pages.

Federal Funds are decreasing by \$50.3 million between the revised FY 2004 and the recommended FY 2005 budgets. The revised FY 2004 federal funds total is \$1.927 billion, or 2.7 percent greater than the recommended FY 2005 federal funds total of \$1.876 billion. The major changes are described below:

- An increase of \$2.7 million for the Department of Administration attributable to three major changes. First, a net increase of \$2.2 million in Community Development Block Grant funding. Second, a decrease of \$1.3 million in funding for the Registry of Motor Vehicles, as several federal grants come to an end. Third, an increase of \$1.8 million for the statewide federal share of costs associated with the Governor's salary adjustment proposal.
- A decrease of \$7.6 million of federal funds within the Department of Labor and Training, mostly associated with reductions of \$4.2 million in discretionary grants and program support for workforce development programs. The affected programs in the Department included: Welfare-to-Work, Workforce Investment Act, and Trade Adjustment Act. Also, funding for Unemployment Insurance Administration in the Income Support program decreases by \$3.4 million.
- An increase of \$2.0 million in additional federal revenues for the Department of Human Services. This change includes a reduction of \$2.8 million for one-time capital projects reimbursements for the Veterans' Home and Veterans' Cemetery, and a reduction of \$4.3 million in federal TANF funds used to support FIP cash assistance and child care benefits. TANF funds of \$4.3 million available in FY 2004 from prior year surpluses and from bonus awards will not be available in FY 2005. Federal food stamp vouchers recorded in state accounts are estimated to increase by \$1.4 million in FY 2005. Gross Medicaid costs increase \$68.0 million from FY 2004 revised levels. Federal share of this amount would be approximately \$36 million. However, the expiration of one-time enhanced federal match in FY 2004 resulting from the federal Jobs and Growth Tax Reconciliation Act of 2003, comparisons require the recognition of approximately \$28 million in match revisions, reducing the federal growth in FY 2005 to \$7.7 million compared to FY 2004 levels.
- A decrease of \$6.6 million in federal revenues for the Department of Mental Health, Retardation and Hospitals. The reduction in federal funds, of \$1.6 million, for the Division of Developmental Disabilities and \$1.4 million for the Division of Mental Health, represent two main adjustments. The first is to reverse the enhanced Federal Medicaid match support under the Jobs and Growth Tax Relief Reconciliation Act of 2003, which is offset, in part, by increases for Caseload and Service support, and the Provider Tax for the Developmental Disability system. Within the Eleanor Slater Hospital, the reduction of \$3.7 million is almost exclusively attributable to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Non-General Revenue Receipts

- A decrease of \$4.4 million in federal revenues for the Department of Children, Youth and Families. The largest reduction reflects the department's initiation of a fully-operational Step-down Bed Program FY 2005. This program places children in a step-down facility after release from psychiatric hospitalization, which eliminates the need for longer hospitalization and, in turn, creates savings, \$2.1 million in federal funds, through reduced hospitalization expenses. The department estimates that the number of children and youth that are eligible for Title IV-E funding, adoption and foster care, will decline, which will decrease federal grants by 1.0 million. Overtime has been reduced throughout the department and reflects a reduction of \$348 thousand in federal funding. The Juvenile Justice Block Grant and Safe Streets in Providence Grant have been eliminated producing a \$436 decrease in federal grants. The Rhode Island Child Welfare Research Grant expires in September of 2004, which, in turn, decreases funding by \$176 thousand due to partial year funding. FY 2005, funding for both Project Hope and Family Preservation and Support Services are reflective of actual grant funding levels whereas funding in FY2004 contained unspent money from prior years, which created a reduction of \$870 thousand in federal funding. Some of these reductions were offset by slight increases in board and care for children and youth.
- A decrease of \$2.7 million in federal revenues for the Department of Elderly Affairs. This decrease relates to the department's revised FY 2004 request, whereby it increased federal expenditure ceilings across several accounts to coordinate grant award periods with expected program requirements in the state fiscal year. The decrease in FY 2005 reflects a return to historical levels of federal financing. One federal grant, for Partners-in-Care for Alzheimer's Families, is reduced by \$0.3 million in FY 2005, due to the end of federal financing for this program.
- A decrease of \$2.7 million in federal revenues for the Department of Health. This decrease is attributable to anticipated reduced funding for bio-terrorism preparedness, response, training and education.
- A reduction of \$4.2 million for the Department of Elementary and Secondary Education. This decrease is attributable primarily reductions of \$5.7 million in Title VI handicapped children expenditures.
- A decrease of \$1.0 million for the State Police due to the cessation of funding for the incident-based reporting system and to lower motor carrier safety expenditure levels.
- An increase of \$1.3 million in the Department of Corrections, \$1.7 million in Violent Offender Incarceration-Truth in Sentencing (VOI-TIS) funds for completion of the Reintegration Center for soon-to-be-released offenders, now scheduled for October 2005, and offset by reductions in Department of Justice and Department of education federal grants.
- A reduction of \$1.0 million for the Judiciary as a result of decrease of \$440,000 in discretionary Bryne grant funding the Justice Link System; and a decrease of \$443,257 in discretionary Drug Court funding, most of which is associated with family treatment programs.

A decrease of \$34.4 million in the Military staff, primarily due to the completion of homeland security projects for state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal

Non-General Revenue Receipts

planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; and Citizens Corps and volunteer training programs.

- A reduction of \$1.8 million in the Department of Environmental Management, attributable to two one-time grant awards for a Commercial Fisherman's Trust (\$1.5 million) and Yellow-tail Flounder Survey (\$0.3 million). The grant awards were received by the department in FY 2004, and program implementation is expected to span several years.
- An increase of \$9.7 million in the Department of Transportation, primarily due to the department's estimate of an additional \$10.0 million being allocated to the state from the Federal Highway Administration for highway construction projects.

For FY 2005, the Governor recommends **restricted funds** expenditures totaling \$123.4 million, a decrease of \$3.0 million from the revised FY 2004 level of \$126.4 million. Restricted receipts are revenues (such as licenses and fees) which are solely dedicated to activities specified by the legislation that created the receipt. The most significant changes are:

- A net increase of \$1.3 million in the Department of Environmental Management attributable to the state financing of the RoseHill Landfill Superfund site with penalty recoveries from environmental infractions received in the Environmental Response Fund restricted receipt account.
- An increase of \$2.3 million in the Department of Labor and Training, primarily for additional expenditures for the Human Resource Investment Council for Literacy programs.
- An increase of \$1.8 million in the Office of the General Treasurer for anticipated funds that will be available for individual claims made to the Treasurer's Crime Victims Compensation Program related to the Station nightclub fire.
- An increase of \$1.3 million for the Department of Elementary and Secondary Education largely attributable to the receipt of funds from the Rhode Island Education Telecommunications Access Fund collected by the Public Utilities Commission for distribution to local qualifying schools.
- A decrease of \$748,092 within the Department of Children, Youth and Families. Funding through a letter of credit from Carpionato Associates had a balance of \$862,047 in FY 2004. All funds within this account are expected to be utilized in FY 2004 for architectural design of the new Rhode Island Training School. Some of this reduction in restricted receipts is offset by an account related to a new program developed to hold parents financially accountable for children and youth in the department's care.
- An increase of \$1.65 million in the E-911 Emergency Telephone System related to the imposition of a \$0.26 monthly fee on wireless two-way communication devices. The funding will be used for the GIS database development project and improve the reliability of the 9-1-1 system.

Non-General Revenue Receipts

- A decrease of \$4.3 million for the Coastal Resources Management Council as a result of the scheduled completion of the Providence River Dredging Project as well as the completion of various coastal habitat restoration projects.
- A decrease of \$6.1 million in the Department of Transportation attributable to anticipated design and construction schedules related to the Freight Rail Improvement Project.

For FY 2005, the Governor recommends **other funds** expenditures totaling \$1.047 billion, a decrease of \$7.9 million from the revised FY 2004 level of \$1.055 billion. This category is primarily comprised of funds in the University and College Fund, Employment Security and Temporary Disability funds and the portions of the gasoline tax dedicated to the Department of Transportation, the Department of Elderly Affairs, and the Rhode Island Public Transit Authority. Other funds also include operating transfers, such as the Rhode Island Capital Plan Fund (RICAP), as discussed below. The most significant changes are:

- A reduction of \$3.5 million in the Department of Administration resulting from an increase of \$500,000 in funding for capital projects from the RICAP fund, an increase of \$2.5 million for the statewide other fund share of costs associated with the Governor's salary adjustment proposal and a decrease of \$6.6 million primarily due to a shift of debt service costs from the RICAP fund to general revenue.
- An increase of \$1.6 million for the Office of the General Treasurer is attributed to additional funding available for the administering of the Employees' Retirement System program. This program's administrative costs are funded by a transfer to the Treasurer's Office of a maximum 0.175 percent of the five-year average of total investments before lending activities. This increase represents the Treasurer's Office estimated revenue available to the agency over that in FY 2004. The additional funding will be used for the final implementation of the Anchor computer system.
- An increase of \$3.5 million in Department of Mental Health, Retardation and Hospitals which is exclusively attributable to Rhode Island Capital Plan projects. There are net increases of; \$415,000 relating primarily to projects on the grounds of the Pastore Center Campus, \$2.7 million relating to Residential Development and Group Home Repair projects in the Developmental Disability system and \$260,894 in the Zambarano unit of the Eleanor Slater Hospital. The significant increase for Developmental Disabilities represents a shift in the funding source for capital acquisitions and improvements from General Obligation bonds to Rhode Island Capital Plan funds.
- A net increase of \$19.3 million for Public Higher Education. The category of other funds, for Public Higher Education, includes institutional revenues, research funds, Rhode Island Capital Plan funds, auxiliary enterprise funds and student aid funds. The net increase reflects an increase of \$17.6 million for the University of Rhode Island, a decrease of \$2.1 million for Rhode Island College and an increase of \$3.8 million for the Community College of Rhode Island.
- A decrease of \$2.0 million in the Department of Elementary and Secondary Education largely due to the allocating of capital project financing for the regional vocational schools to FY 2004 and the proposed transfer of these schools in FY 2005 to their local school districts.

Non-General Revenue Receipts

- A net decrease of \$22.9 million in the Department of Labor and Training for income support benefit payments. The net \$22.9 million decrease reflects a \$32.4 million decrease in Unemployment Insurance benefit payments, a \$5.7 million increase in Temporary Disability Insurance benefit payments, and a \$3.9 million increase in Employment Services expenditures from Reed Act funds. The decrease in Unemployment Insurance benefit payments is associated with the economic recovery and an end to the extension of benefits authorized by the federal government.
- A reduction of \$1.2 million in the Department of Corrections relating to completion of renovation and repair projects (High Security fire alarm, Maximum general renovations, Dix expansion, and Food Plant roof), offset by the initiation of new projects (Work Release-roof, Heating and Temperature Control, Medium-heating and air conditioning).
- A decrease for the Department of Transportation of \$3.5 million resulting primarily from the following:
 - An addition of \$2.2 million in gasoline tax revenue available to DOT and RIPTA resulting from an anticipated increase in revenue yielded per each cent of gas tax.
 - A decrease of \$3.1 million resulting from additional G.O. bond debt service costs for DOT and RIPTA. These costs are reflected in the Department of Administration budget.
 - A decrease of \$2.9 million in gas tax revenue to RIPTA resulting from a change in the gas tax allocation formula. RIPTA's allocation will be decreased by six-tenths of one cent. This reduction will be offset with additional funding of \$5.9 million being provided through the Department of Human Services for RIPTA's participation in the Rite Care Program.
 - Changes to "Other funds" over FY 2004 also include an expenditure reduction of \$590,000 in Rhode Island Capital Plan funds for RIPTA, and an increase of \$787,500 in gas tax revenue to DOT which resulted from G.O. debt service savings in FY 2004 but will be allocated into FY 2005.

All Sources

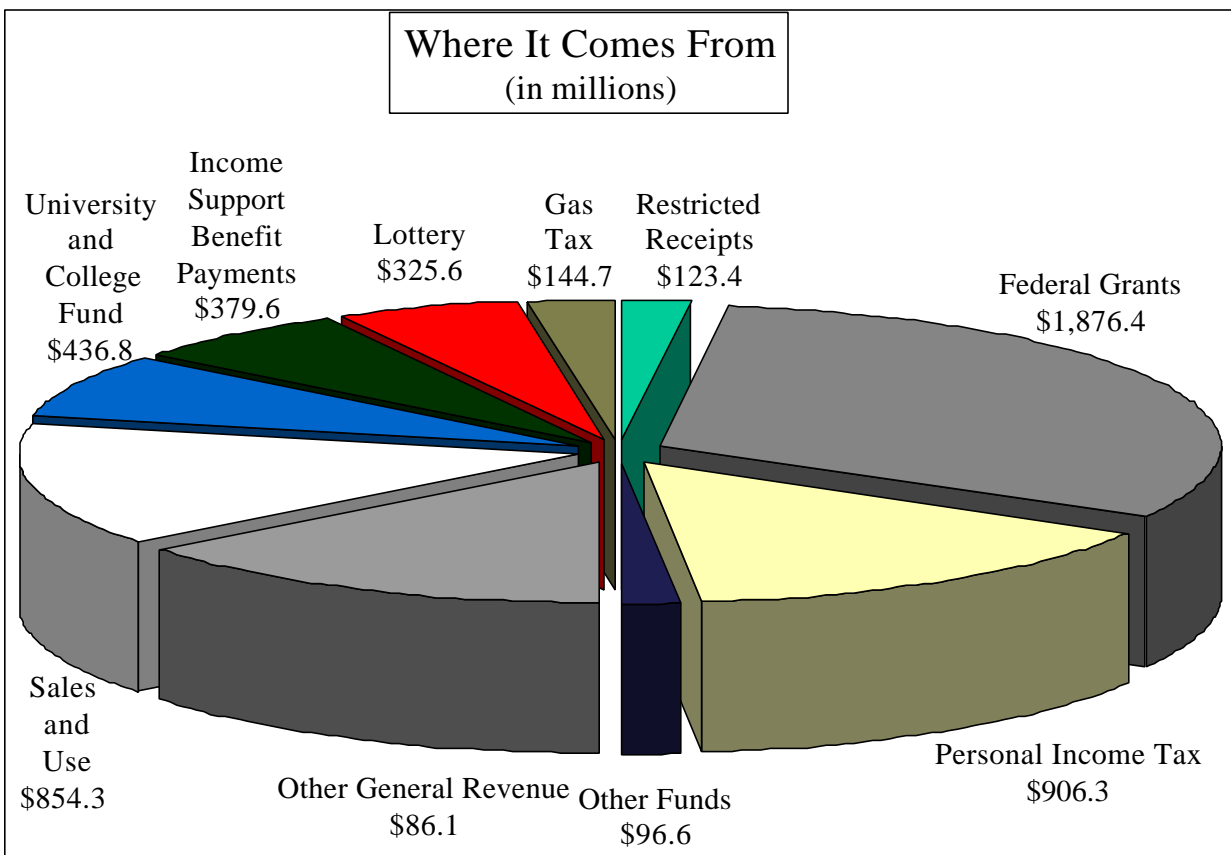
The total budget of \$5,946.2 million includes all sources of funds from which state agencies make expenditures.

Federal funds represent 31.6 percent of all funds. Over 70.6 percent of federal funds are expended for human services, primarily for Medicaid.

Income and Sales and Use Taxes combined represent 29.6 percent of all revenue sources.

University and College Funds, and Income Support Benefit payments represent 7.3 percent, and 6.4 percent of the total, respectively.

Remaining sources include: Other General Revenues (13.5 percent); Gas Tax Revenues (2.4 percent); Lottery Transfers (5.5 percent); Restricted Receipts (2.1 percent); and Other Funds (1.6 percent).



All Expenditures

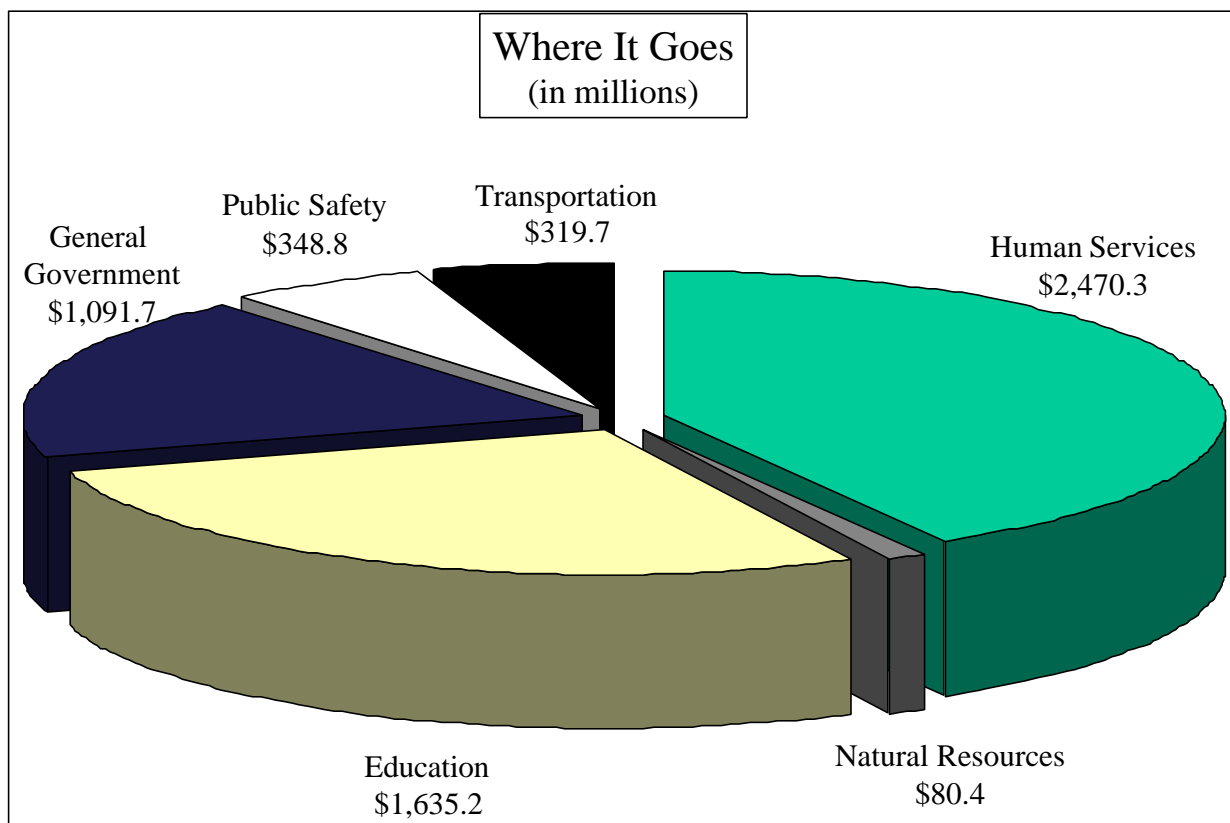
Approximately sixty-nine percent of all expenditures are for human services and education programs. The budgets for the human service agencies total \$2.470 billion, or approximately forty-two percent of all expenditures. These programs constitute the state's safety net.

Education expenditures comprise twenty-seven and a half percent of total expenditures, or \$1.635 billion. Of this total, \$912.4 million represents funding for aid to local units of government. This is slightly less than fifty-six percent of all education expenditures, including higher education.

Approximately forty-two percent of the \$1.091 billion expended for general government is for grants and benefits to individuals. Most of these expenditures are for employment and training services or programs, including unemployment compensation.

Transportation expenditures comprise five percent of the total budget and include funds for public transportation, as well as highway, road and bridge expenditures.

In total, expenditures from all funds are recommended to increase by seven-tenths of one percent over the revised FY 2004 budget.



Expenditure Summary

FY 2004 Revised General Revenue Expenditures

Revised FY 2004 general revenue expenditures total \$2.796 billion and reflect a net increase of \$11.9 million from the enacted budget, or 0.4 percent. The net increase in spending includes the addition of \$8.0 million of reappropriated balances from FY 2003, and an increase of \$3.9 million in expenditures.

The largest changes in the FY 2004 revised budget relate to a decrease of \$19.2 million for debt service payments in the Department of Administration, and increases of \$7.9 million for Caseloads, Transportation, Special Education and Uncompensated Care costs in the Department of Human Services, \$5.3 million in the Department of Mental Health, Retardation and Hospitals for Utility related expenditures and unachieved ward closures, \$6.0 million in the Department of Corrections for overtime and medical related costs based upon current population trends and \$4.5 million in the Department of Children, Youth and Families for Psychiatric Hospitalization, Residential Services and Foster Care placements. These and other significant changes to enacted general revenue expenditures are discussed below.

Within the Department of Administration, the revised FY 2004 budget reflects a reduction of \$1.7 million for Debt Service payments related to the Convention Center Authority, a reduction of \$1.8 for the delayed issuance of General Obligation bonds for the Department of Transportation and RIPTA, a reduction of \$14.7 million related to the Rhode Island Capital Plan fund. The revised budget delays \$9.1 million of current year projects financed by RICAP resources, to later years, and reallocates those funds, in addition to \$5.6 million of RICAP fund balances to debt service. Total debt service costs assigned to RICAP therefore becomes \$32.3 million, providing \$14.7 million of general revenue relief. The FY 2004 recommended budget also reflects savings of \$1.6 million for delay in the issuance of Certificates of Participation for the Kent County Courthouse project.

In the Department of Human Services the November, 2003 Caseload Estimating Conference adopted a net addition of \$3.0 million in general revenues for caseloads, primarily for Medicaid expenditures. Recognition for the first time of additional federal funds from prior year balances, adjusted awards, and performance bonus awards reduce the requirements for general revenue funds for childcare and FIP cash assistance benefits. A total of \$1.0 million was added for reimbursements to Local Education Authorities for administrative costs for special education expenditures, and are recorded outside of Caseload Conference estimates. Additional local expenditures recorded as match in departmental general revenue accounts are simultaneously recorded as general revenue receipts.

The recommended budget also reflects the addition of \$4.6 million for Uncompensated Care Reimbursement Maximization. Enactment of the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 included an increase in allotments for Medicaid uncompensated care payments beginning in FY 2004. The addition of general revenue match in Human Services will generate an increase of \$5.6 million in increased federal revenues to Mental Health, Retardation and Hospitals, compared to enacted levels. Matching funds are also included to increase reimbursements to community hospitals by \$409,000, if an appropriate state plan amendment can be drafted, subject to federal approval.

In the Department of Mental Health, Retardation and Hospitals, the Governor recommends an increase of \$3.2 million for the operation of the Central Power Plant. This includes a reduction of \$483,256 in direct staffing costs and an increase of \$1,831,436 for consultant services relating to the transfer of the operation of the Central Power Plant to a Private Contractor. The recommendation also reflects an increase of \$2,763,026 for the purchase of Oil and Natural Gas to operate the Central Power Plant. The enacted budget included \$2,835,895 for these two commodities. These increases are partially offset by reductions of \$600,000 for Pastore Center Campus repairs and \$239,998 for the purchase of electricity.

Expenditure Summary

Within the Eleanor Slater Hospital, the Governor recommends the addition of \$1,747,719 for unachieved ward closures. The increase reflects the restoration of funds to support existing operations. The department is proceeding with its revised expenditure reduction plan, which includes a continued effort to streamline staffing requirements, more efficient utilization of existing ward capacity to reduce excessive overtime, and close monitoring of the patient census.

In the Department of Corrections, the Governor recommends adjustments relating to several categories of expenditure including overtime, general population increases, Federal Detainee's, Criminal Alien Assistance and medical and pharmaceutical costs.

The governor recommends an increase of \$0.5 million from the enacted level to reflect the change in the inmate census estimate from the enacted level. The estimate of the average prison population in the FY 2004 enacted budget was 3,500. The FY 2004 revised population projection is 3,600, an increase of 100 inmates. The Governor recommends the addition of \$4.0 million for overtime. The increase is attributable to the population increase of 100 inmates, the reversal of an overtime reduction plan included in the enacted budget, increased requirements for overtime based upon attrition, military leave, sick leave and a recent arbitration ruling that restricts overtime assignments.

Under the Criminal Alien Assistance program the Governor recommends a reduction of \$614,869. The SCAAP program provides funds to reimburse states for the housing of illegal aliens who have committed crimes in the State. The funds are distributed on a formula based on the number of bed-days and the cost of incarceration in the State. The reduction amount represents the grant awarded at the end of FY 2003, but was not used. The funds are therefore available in FY 2004 to offset general revenue core costs. The Federal Detainee program requires the addition of \$629,360. The FY 2004 enacted estimate for the federal detainee census was 100. The current estimated census is 77, a reduction of 23 individuals.

With respect to Medical and Pharmaceutical costs, the Governor recommends the addition of \$1,261,546. The increase is based on current year experience for medical-related costs including services provided by physicians, optometrists, dentists, temporary nursing staff, psychiatrists, the related testing expenses and for pharmaceuticals.

Within the Department of Children, Youth and Families, an adjustment was required for a delay in the development of sixteen step down beds from Psychiatric Hospitalization services requiring the addition of \$1,527,873. This program places children in a step-down program, after release from psychiatric hospitalization, which reduces the length of stay in the hospital and the associated costs.

The Governor recommends the addition of \$2.6 million for Purchase of Service placements. The number of placements is anticipated to increase from the average enacted level of 263 to 310, for FY 2004. Costs of additional contracted beds and other program enhancements implemented in 2003 to alleviate the night-to-night crisis, and the creation of 100 new foster care placements, were not fully financed in the enacted budget.

The Governor recommends the reduction of \$1,681,964 for the Blue Cross Settlement Payment on a statewide basis for general revenues. In December of 2001, the state contracted with Blue Cross Blue Shield of Rhode Island (BCBSRI) for medical insurance based upon a modified self-insured financial model and encompassing a three calendar year period from 2002 through 2004. The contract with BCBSRI for employee and retiree medical benefits insurance, contains a provision which requires that the state make a reconciliation/settlement payment to BCBSRI on or about January 1, 2004. Blue Cross has presented the State with the final settlement payment amount, which is equal to \$11,233,421. The

Expenditure Summary

settlement amount is subject to audit by the State. Excluding obligations that must be paid by quasi-public and other entities, the estimated net amount owed by the State will be \$10,682,983 all funds, \$10,557,143 excluding internal service funds, and \$6,166,284 in general revenue funds.

FY 2005 Expenditures from All Funds

All funds expenditures for FY 2005 are \$5.946 billion. Of this total, 48.8 percent or \$2.769 billion, is general revenue funds, \$1.876 billion, or 31.6 percent, is from federal funds, \$1.047 billion, or 17.6 percent, is from other sources, and \$123.4 million, or 2.0 percent, is from restricted or dedicated fee funds.

On a functional basis, the largest share of expenditures is in the Human Services area, which comprise \$2.470 billion, or 41.5 percent, of the total budget. Spending for Education is \$1.635 billion, which comprises 27.5 percent of spending, while expenditures for General Government, including all state debt service, is \$1.092 billion, or 18.4 percent. Public Safety, Natural Resources, and Transportation expenditures comprise the balance of the total, at \$748.9 million, or 12.6 percent of the total budget.

Expenditures are also recorded on a categorical basis. On this basis, the largest share of the budget finances grants and benefits, and equals \$2.664 billion, or 44.8 percent of the total. Personnel expenditures total \$1.410 billion or 23.7 percent, local aid expenditures, which are 18.7 percent, or \$1.113 billion of the total budget, are the next largest categories. Expenditures for operations total \$391.1 million, or 6.6 percent. The balance of spending is required to finance capital and debt service expenditures and totals \$368.2 million, or 6.2 percent of total spending.

FY 2005 General Revenue Expenditures

Expenditures from general revenues total \$2.899 billion for FY 2005. By function, spending by Human Services agencies comprises the largest share and totals \$1.117 billion, or 38.6 percent of the budget. Spending for Education programs, totaling \$978.2 million, or 33.7 percent of the budget, closely follow Human Services expenditures. General revenue spending for General Government and Public Safety are recommended at \$478.1 million, or 16.5 percent, and \$290.1 million, or 10.0 percent, respectively. Expenditures from general revenue for Natural Resources total \$35.4 million, or 1.2 percent of total spending. Transportation expenditures are financed from dedicated gasoline taxes and federal funds and therefore are not included in general revenue recommendations.

General revenue expenditures by category are primarily devoted to financing local aid and grants and benefits. Local aid totals \$958.4 million, or 33.1 percent of the total budget. Grants and benefits total \$956.4 million, or 33.0 percent. Personnel expenditures of \$743.1 million comprise 25.6 percent of the budget. Operations total \$153.9 million, or 5.3 percent of the budget, while Capital expenditures total \$87.2 million, or 3.0 percent of the total budget.

When compared to the recommended FY 2004 budget, the FY 2005 recommendation is \$103.3 million greater, an increase of 3.7 percent. The increase of \$103.3 million includes \$23.1 million in the Department of Administration, primarily for additional debt service payments, \$53.9 million in the Department of Human Services, \$10.2 million in the Department of Mental Health, Retardation and Hospitals and \$3.0 million for the Department of Children, Youth and Families. These increases reflect caseload growth and inflation in social service programs, and the end of a one-time enhancement in federal Medicaid matching rates awarded in the Jobs and Growth Tax Relief Reconciliation Act of 2003. The expiration of this enhancement requires the addition of \$42.0 million in Human Service programs including \$27.9 million in the Department of Human Services, \$11.0 million in the Department of Mental

Expenditure Summary

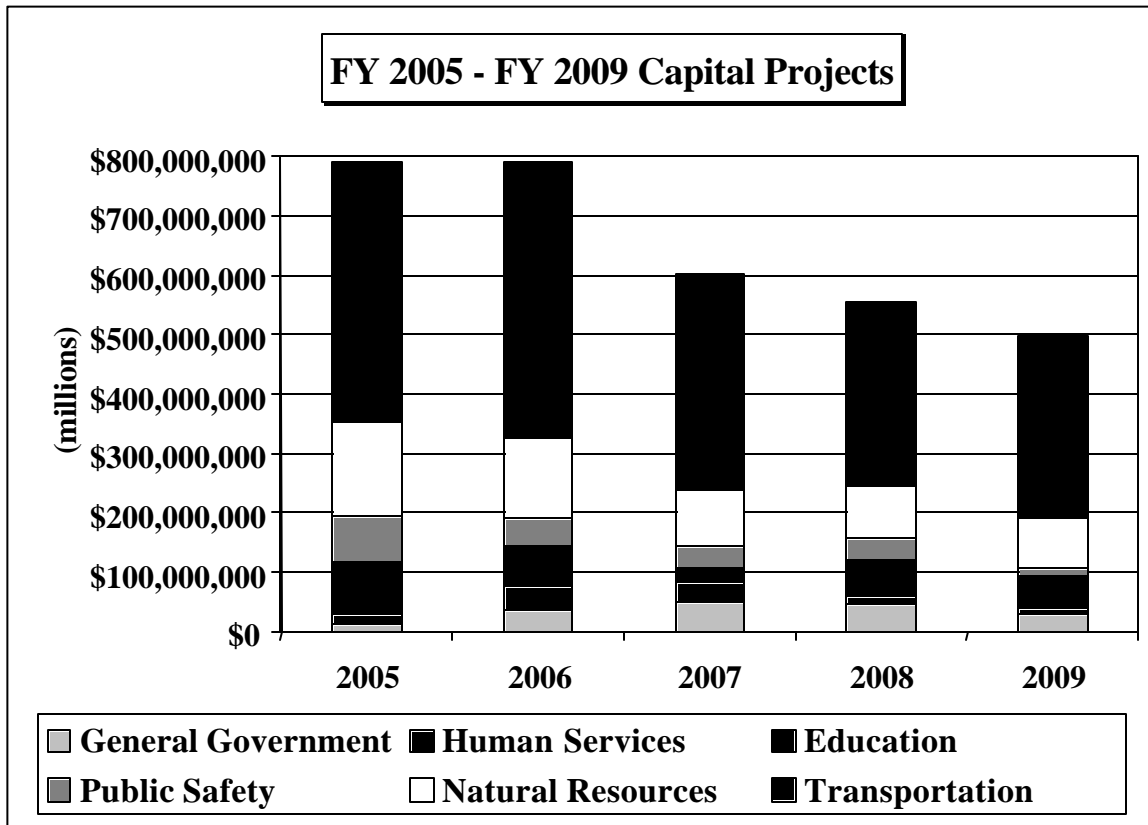
Health, Retardation and Hospitals and \$2.8 million for the Department of Children, Youth and Families. Additions totaling \$11.5 million in the Department of Elementary and Secondary Education are primarily for School Housing Aid, Local Education Aid and targeted investments. The increase also includes \$3.1 million for the State Police relating to a new class of State Troopers.

Capital Budget

Capital Budget Overview

The Governor's FY 2005 Capital Budget and FY 2005 – FY 2009 Capital Improvement Plan are presented in detail in a separate document. The following provides a brief summary of the one-year capital budget and the five-year capital improvement plan.

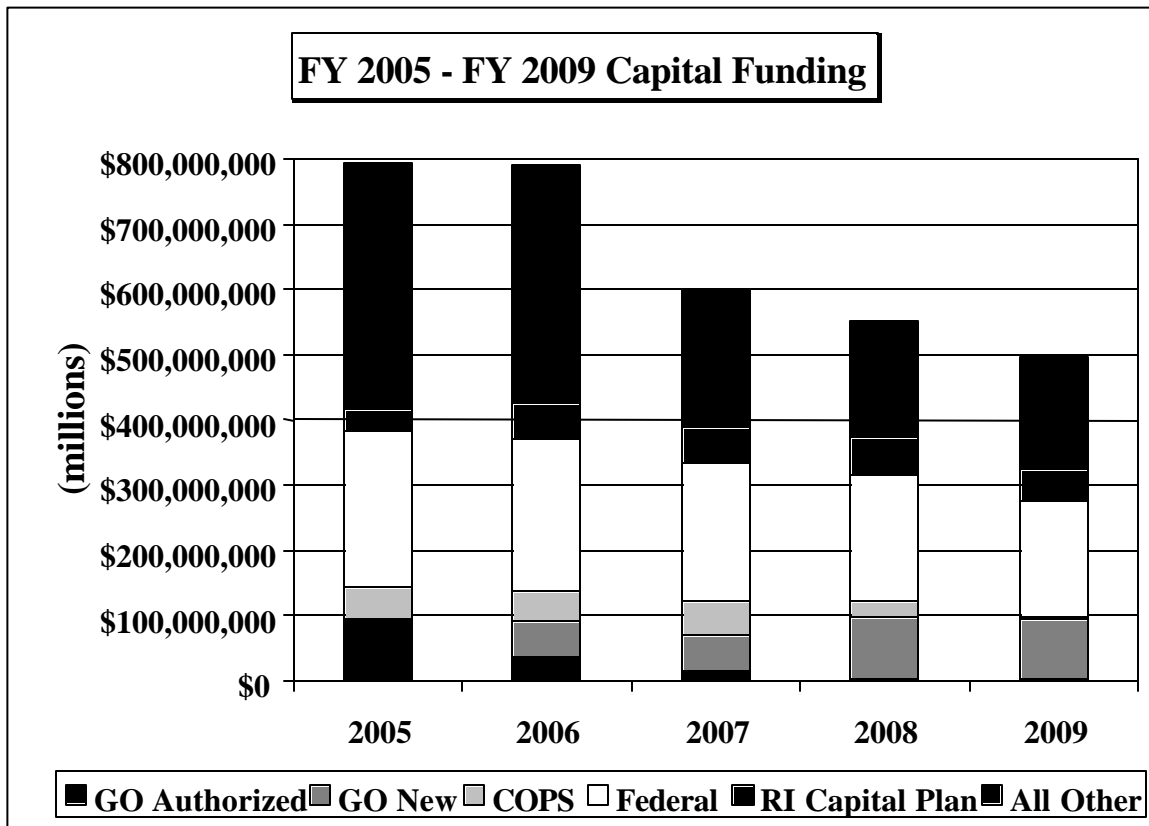
The FY 2005 capital budget includes proposed expenditures of \$791.9 million, of which Transportation projects constitute 55.3 percent, Natural Resources projects represent 20.2 percent, Education projects represent 11.1 percent and General Government and Economic Development projects constitute 1.7 percent. Over the five-year planning period Transportation and Natural Resources projects total over \$2.443 billion, or 76.0 percent of capital investments.



Over the five year period, federal funds of \$1.056 billion will finance approximately 32.7 percent of the planned capital projects; general obligation bonds will finance \$453.5 million, or 14.0 percent, with the remaining \$1.724 billion, or 53.3 percent, from other sources, including certificates of participation and the Rhode Island Capital Plan Fund.

A major source of state financing for capital projects is general obligation bonding. As of June 30, 2003, there were \$722.9 million in outstanding general obligation bonds. Over the five-year planning period, the recommended capital improvement plan provides for the issuance of \$230.0 million of authorized debt and the issuance of \$299.9 million from new bond referenda to be submitted for voter approval at the November 2004 and 2006 elections.

Capital Budget



This capital plan addresses the Governor's desire to continue targeting current resources to the infrastructure needs in the state. In order to maintain state-owned property, ensure the safety of those who use these buildings and preserve the value of the properties, the Governor recommends \$34.1 million in FY 2005 from current revenues in the Rhode Island Capital Plan Fund for asset protection projects. Under the Governor's plan, over \$250.0 million will be dedicated from this fund over the next five years to infrastructure needs.

The Governor's plan incorporates the issuance of all bonds approved by the voters in November 1998, 2000 and 2002 and recommends new referenda in November 2004 and 2006 to continue the state's capital program.

The Governor proposes the construction of a \$50.0 million Center for Biotechnology and Life Sciences at the University of Rhode Island to serve as a complement to the established medical research center that already exists in Providence. The bulk of the financing for this project will be put to the voters in a bond referendum in November 2004.

The Governor's recommendations also continue the significant planned investment in Higher Education by including the expenditure of \$21.0 million of bonds approved in 1998 to upgrade academic and administrative facilities. In November 2000, the voters of the state approved a new referenda authorizing the expenditure of \$36.95 million for dormitory renovations at the University of Rhode Island and Rhode Island College and the construction of a new Community College of Rhode Island campus in Newport. These projects are fully programmed in the Governor's five-year plan.

Capital Budget

In the economic development area, the Governor is recommending a new \$48.0 million referenda be presented to the voters in November 2004 to fund continuing improvements at the Quonset Point/Davisville Industrial Park. In addition, the Governor is recommending general revenue funding of \$200,000 in the FY 2005 budget to begin planning efforts to develop a Marine BioScience Research and Business Park at Quonset Point.

The capital plan includes issuance of bonds authorized in November 2002, including funds for a new State Police Headquarters, a new Municipal Fire Academy, grants to the Heritage Harbor Museum, and Roger Williams Park, and a new grant program for capital improvements at museums and cultural art centers.

Open space continues to be a high priority of the Governor. The capital improvement plan includes the issuance of the \$34.0 million of Environmental Management bonds authorized in November 2000. In addition, the Governor is recommending a new \$45.0 million bond referendum be presented to the voters in November 2004. If approved, an additional \$35.0 million would be made available for open space, farmland preservation, and recreational projects, \$15.0 million for the Department of Environmental Management's Clean Water 2004 initiative and \$20.0 million for the Water Resources Board to undertake groundwater protection and water system emergency interconnection projects.

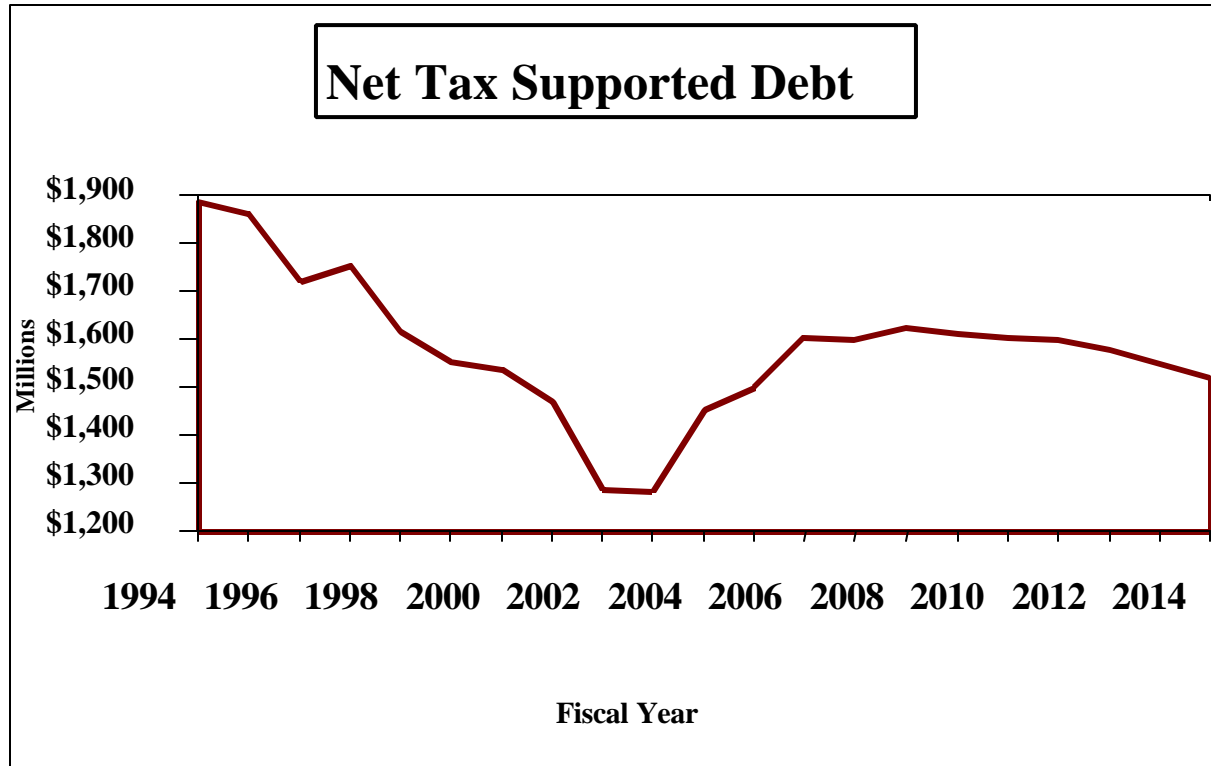
Transportation continues to comprise a significant part of Rhode Island's general obligation debt issuance requirements, reflecting \$164.9 million over the five-year period. In addition, the Governor recommends the issuance of approximately \$423.0 million in GARVEE bonds and \$93.9 in Motor Fuel Tax Revenue bonds for five major transportation projects over the planning horizon. The projects to be funded from these resources are the I-95 relocation, the replacement of the Sakonnet Bridge, repairs to the Washington Bridge, the construction of the Rt. 403 Quonset Access Road and the completion of the Freight Rail Improvement Project.

The Governor's Capital Budget is within the recommended debt guidelines set by the Public Finance Management Board. The Capital Budget, a comprehensive document which is part of the consolidated operating and capital budget required by law, compares the projected debt ratios resulting from the Governor's recommended Capital Budget to these guidelines. As can be seen in the section entitled "Tax Supported Debt Burden", the recommended Capital Budget projects a ratio of debt to personal income which is well within the recommended 5.0 to 6.0 percent guideline, decreasing from 8.4 percent in FY 1994 to 4.15% in FY2004, and further to 3.76 percent in FY 2009. The projected ratio of debt service to general revenues is also within the recommended guideline of 7.5 percent. While the projected ratio increases from 4.65 percent in FY 2004 to 4.98 percent in FY 2009, this increase is attributable to the significant debt service savings from the tobacco defeasance that declines over time, the increased debt service on Motor Fuel bonds, and the increased debt service on four new projects funded by COPS. The investments recommended in the Capital budget are consistent with the strategies of the Economic Policy Council and the Governor's Fiscal Fitness program. Current debt service schedules and projected debt service on debt obligations to be issued are also displayed in the Capital Plan.

The capital plan shows that net tax supported debt is projected to be \$1.611 billion by FY 2009. This would be a reduction of almost \$289.0 million from the FY 1994 high of \$1.9 billion. As of June 30, 2003, the State had net tax supported debt of \$1.3 billion. From FY 2004 to FY 2009, \$925.6 million of new tax supported debt will be issued, while \$605.6 million of outstanding and new debt will be retired.

Capital Budget

As shown on the graph below, net tax supported debt has declined significantly. The dip in FY 2003 reflects the fact that the issuance of general obligation bonds for FY 2004 projects and certificates of participation for two projects were not executed prior to June 30, 2003.

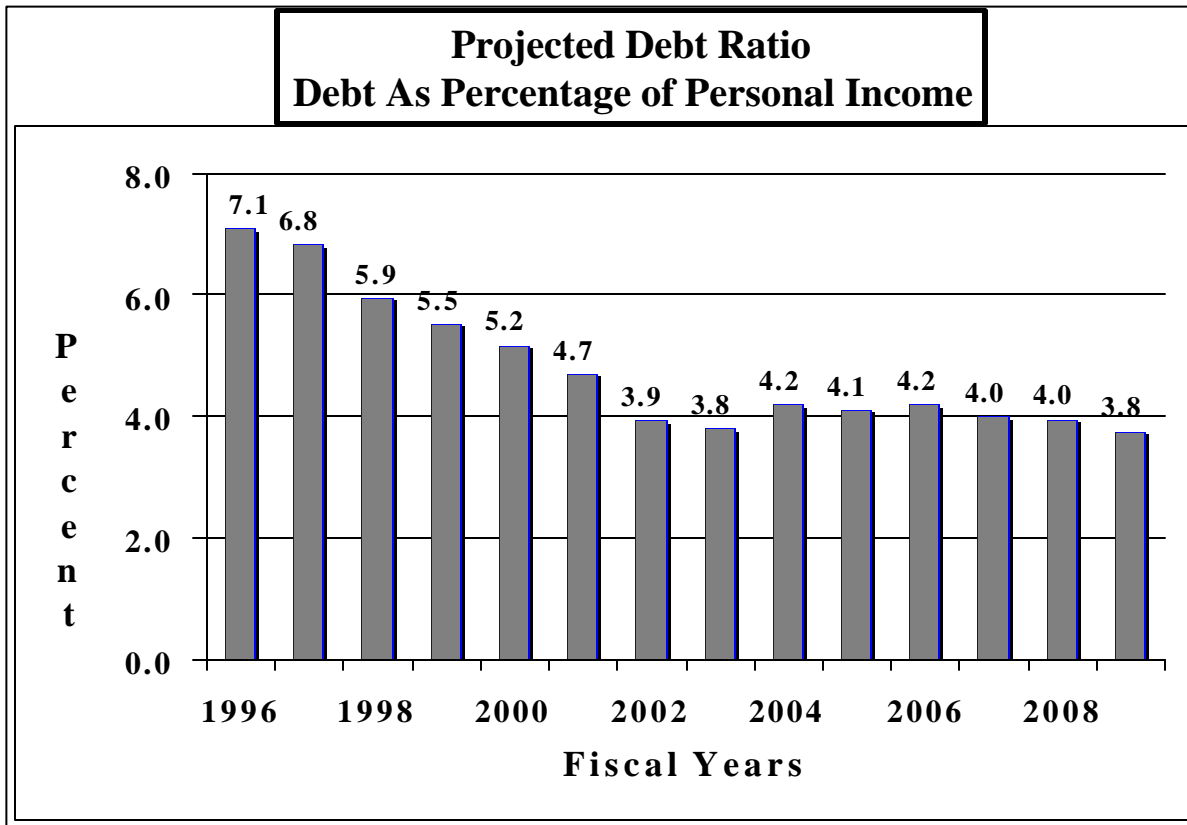


The Governor's recommended FY 2005 Capital and Operating Budgets reflects debt reduction during FY 2002 using resources from the proceeds of Tobacco Securitization Bonds to defease \$247.6 million of debt (\$295.5 million reflecting the accreted value of capital appreciation bonds). This defeasance of outstanding general obligation debt and certificates of participation using the proceeds of these bonds, which are not considered state debt, resulted in a significant reduction in Rhode Island's net tax supported debt position. The use of these accelerated Tobacco Settlement resources accelerated the trend of reducing net tax supported debt beyond that which had been displayed in previous Capital Budgets. It also resulted in \$51.6 million of debt service savings in FY 2003, and additional savings over the next ten years, providing significant operating budget relief.

The reduction in state debt of \$247.6 million at the end of FY 2002 resulted in significant improvement in the state's debt position compared to that which would result without use of the proceeds from Tobacco Securitization for defeasance. According to the 2003 "Moody's Medians," Rhode Island's net tax-supported debt as a percent of personal income of 4.8 percent in 2003 ranks eighth in the nation. (Due to slight variations in calculation methods, and timing, the state's number varies from Moody's. Moody's medians for 2003 reflect net tax supported debt as of calendar 2002). The national median is 2.2 percent of net tax supported debt as a percent of personal income. From FY 2002 to FY 2003, the national median decreased from 2.3 percent to 2.2 percent, while Rhode Island's decreased from 5.2 percent to 4.8 percent. This resulted in a movement to the eighth place from seventh place in Rhode Island's ranking released by Moody's in 2002, so Rhode Island's relative position also continues to improve. In 1996, Rhode Island ranked third. In 1984, Rhode Island ranked twenty-fifth in the nation with a ratio of 2.4 percent. The Governor's recommended capital budget will result in improvement in the state's ratio of debt

Capital Budget

as a percentage of personal income, which is expected to decline from 8.18 percent at the end of FY 1995 to 4.15 percent at the end of FY 2004, to 3.76 percent in FY 2009.



The Governor's proposed Capital Improvement Plan for FY 2005 - FY 2009 reflects the seventh year in a comprehensive, yet affordable asset protection program that will result in the dedication of over \$250.0 million of current revenues towards preserving Rhode Island's buildings and other assets over the next five years. The multi-year plan of dedicating increased resources towards pay-as-you-go capital projects. This plan was modified in FY 2002 to address operating budget deficits, and resulted in numerous planned capital projects being deferred. The Governor's FY 2005 recommended budget funds many of these deferred projects and dedicates all future resources in FY 2006 and thereafter towards maintaining and improving the state's infrastructure. The Governor recommends that the General Assembly appropriate \$34.1 million from the Rhode Island Capital Plan Fund in FY 2005 for capital projects. The Governor further proposes that funding from the RI Capital Plan Fund continue annually in order to provide an annual appropriation from current revenues for capital purposes. Because Rhode Island Capital Plan Fund resources were used primarily for debt service in prior years, this recommendation has required a shift of debt service costs to general revenue funds as shown in the following chart. In FY 2005, sixty-one percent of resources in the RI Capital Plan Fund are being used for capital asset protection projects.

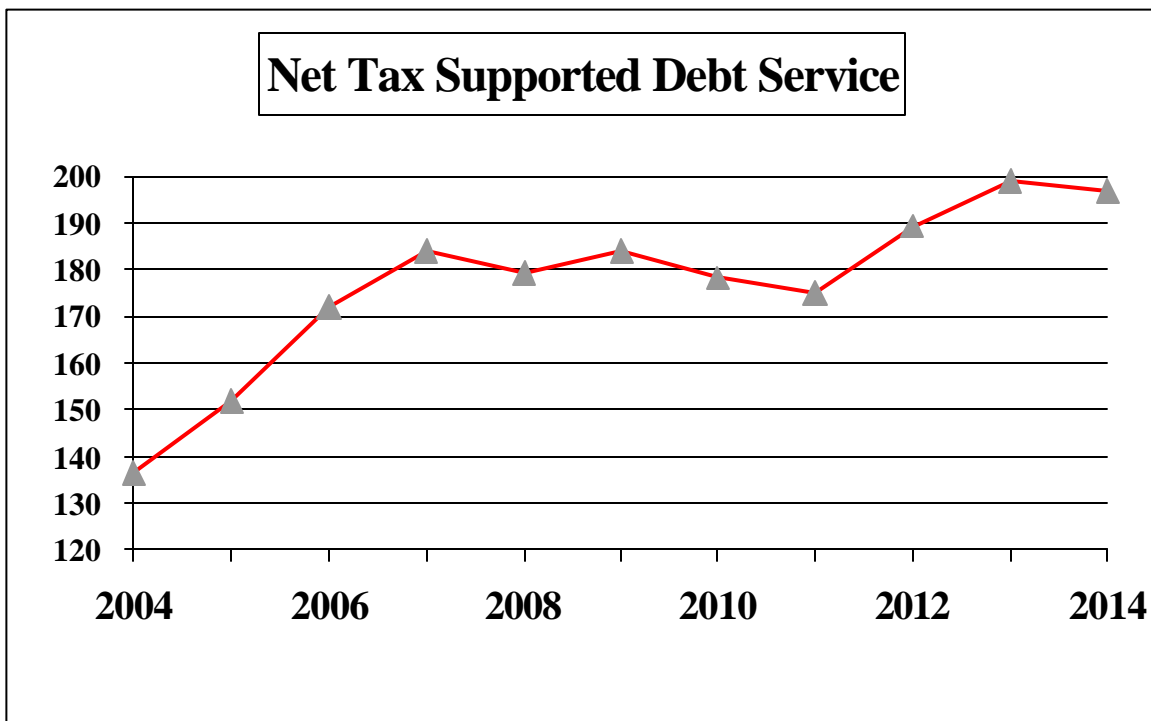
Capital Budget

RI Capital Plan Funds

	Debt Service	Project Expenditures	Percent for Projects
FY 1994	.0	.2	.0%
FY 1995	32.5	.9	2.7%
FY 1996	29.3	.7	2.2%
FY 1997	33.3	.5	1.5%
FY 1998	26.8	2.9	9.8%
FY 1999	24.1	11.7	32.7%
FY 2000	14.0	19.8	58.8%
FY 2001	7.4	22.7	75.4%
FY 2002	31.5	44.8	58.8%
FY 2003	27.1	18.5	40.5%
FY 2004	32.3	40.1*	55.4%
FY 2005	21.8	34.1	61.0%
FY 2006	0.0	54.3	100.0%

* Includes funding reappropriated from FY 2003

The Governor recommends debt service funding from all sources of \$209.8 million for debt and other long term obligations, including \$90.5 million for general obligation debt service, \$14.1 million for Rhode Island Refunding Bond Authority (formerly RIPBA) obligations, \$23.5 million for the Convention Center obligation, \$9.6 million for motor fuel debt service, \$41.8 federally funded GARVEE debt service, \$20.6 million for certificates of participation and long-term leases, \$5.0 million for Higher Education non-general obligation debt, and \$4.8 million for performance-based obligations. A detailed description of these obligations can be found in the capital budget document, and the long term projections are shown in the chart below:



Capital Budget

The FY 2005 – FY 2009 Capital Improvement Plan calls for the issuance of general obligation bonds in FY 2004 of \$80 million, and \$100 million thereafter. It is assumed that interest on the general obligation bonds issued will be 4.5 percent for twenty year fixed rate debt, and 2.5 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds. In FY 2005 the general revenue appropriation for debt service reflects debt service savings of \$28.2 million from defeasance; these savings decline to \$20.7 million by FY 2009 and result in a \$7.4 million increase in projected requirements. In FY 2004, the general revenue appropriation for debt service reflects debt service savings of \$33.1 million from defeasance; these savings decline to \$26.9 million in FY 2005 and result in a \$6.2 million increase in projected requirements.

The projected general revenue requirements for debt service is dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2005, the budget recommendations to defer some capital projects provided budgetary relief, but resulted in a structural imbalance in FY 2006 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island Capital Plan funding for debt service will decline from \$32.3 million in FY 2004 to \$21.8 million in FY 2005. In FY 2006 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This results in increased general revenue appropriations for debt service of \$21.8 million from FY 2005 to FY 2009. Disbursements of \$55.8 million, \$54.3 million, \$56.9 million, \$56.0 million and \$49.4 million over FY 2005 to FY 2009 are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue.

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2005 through FY 2009 will total \$34.7 million, \$36.9 million, \$41.4 million, \$36.6 million, and \$38.0 million respectively. It is assumed that the two cents of the gas tax dedicated to motor fuel bonds issued by the EDC is equal to \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2005 through FY 2009 will total \$6 million, \$7 million, \$8 million, \$8 million, and \$9 million respectively. This is based upon the issuance of bonds consistent with the FY 2005 - FY 2009 capital budget. It reflects the issuance of \$32.3 million, \$32.5 million, \$32.5 million, \$30.0 million, and \$30.0 million in FY 2005 – FY 2009 for the Department of Transportation. It reflects issuance of \$0.52 million, \$1.1 million, \$1.54 million, \$0.45 million and \$0.55 million in FY 2005 to FY 2009 for the Rhode Island Public Transit Authority.

Variable rate obligations for McCoy Stadium are estimated at 2.5 percent, reflecting an average estimate of the variable rate interest costs to be paid on the balance of this debt. Obligations arising from the Kent County Courthouse (\$51.8 million) and the Juvenile Training School (\$57.8 million) are assumed to be financed by general revenues, and interest is assumed at 4.5 percent. Debt service costs for these projects increase by \$5.4 million from \$3.3 million in FY2005, which reflects only interest, to \$8.7 million in FY 2009. Additionally, the Traffic Tribunal and State Property Rehabilitation Projects add \$6.7 million of debt service not present in FY 2005. Rhode Island Refunding Bond Authority costs are \$4.8 million higher in FY 2009 due to the up-front savings in FY 2005 of an April 2004 refunding.

The obligations arising from the performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2005 forecast includes \$1,100,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2006 and thereafter, it assumes the

Capital Budget

Fidelity and Providence Place Mall obligations are funded at the maximum level of \$2.5 million, and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation, which if earned would total approximately \$.3 million.

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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, and the Legislature; *administrative agencies*, including the Department of Administration, the Department of Labor and Training, and the Board of Elections; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,464.9 FTE positions in FY 2004 and 2,469.9 FTE positions in FY 2005 within general government agencies.

The FY 2004 revised budget for General Government agencies totals \$1.095 billion, including \$457.1 million in general revenue, \$82.4 million in federal funds, \$60.7 million in restricted receipts, and \$494.3 million in other funds. The revised budget from all fund sources for General Government agencies is \$51.1 million greater than the FY 2004 enacted budget.

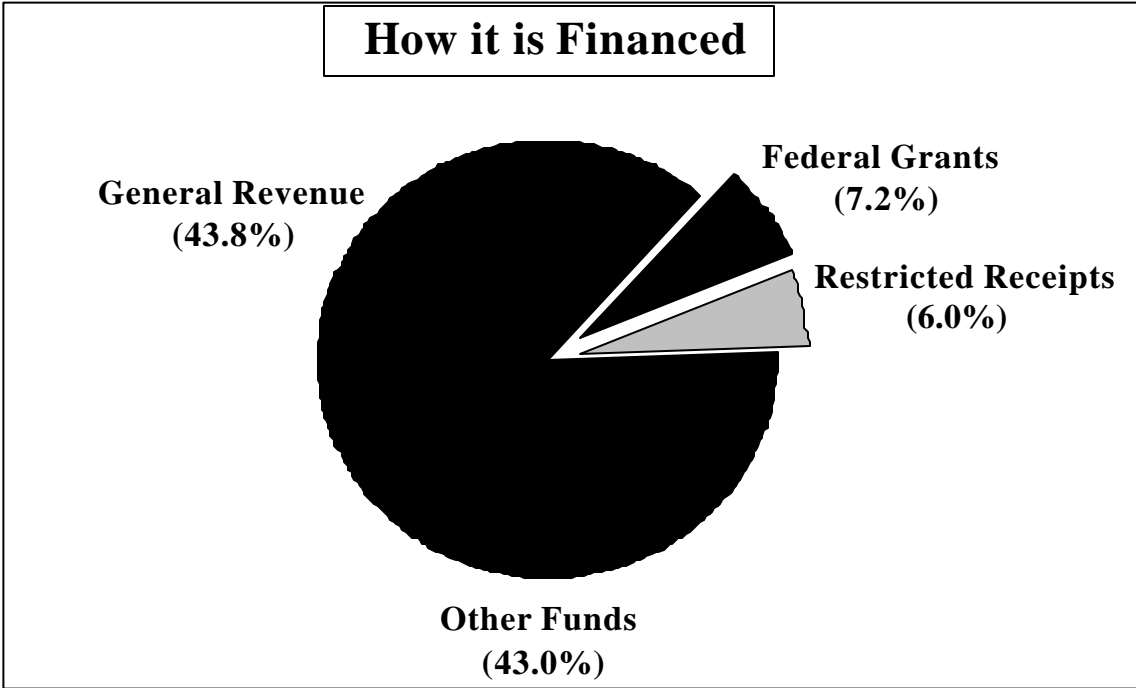
General revenue expenditures for General Government agencies decrease in FY 2004 by approximately \$13.0 million as compared to enacted levels. This decrease consists primarily of a reduction of \$15.4 million in the Department of Administration, which is largely attributable to a reduction in general revenue funding of \$16.5 million for debt service on general obligation bonds. \$14.7 million of this reduction is the result of a transfer of debt service costs to the Rhode Island Capital Plan Fund, which is classified as an other fund. This shift is possible due to the deferral of several capital projects appropriated as other funds in various departments and agencies of the state. Additional savings in debt service expense have been achieved due to the delay in the issuance of new general obligation debt (\$1.8 million) and debt on projects to be financed with Certificates of Participation (\$3.3 million). Offsetting increases in general revenue funding include reappropriated funds from FY 2003 of approximately \$6.5 million across several general government agencies. In addition, a Station Fire Victims Compensation account is recommended within the Office of the Treasurer with funding of \$800,000.

Federal funds increase \$1.3 million from enacted FY 2004 appropriations. Restricted receipts decrease \$1.4 million compared to FY 2004 appropriations.

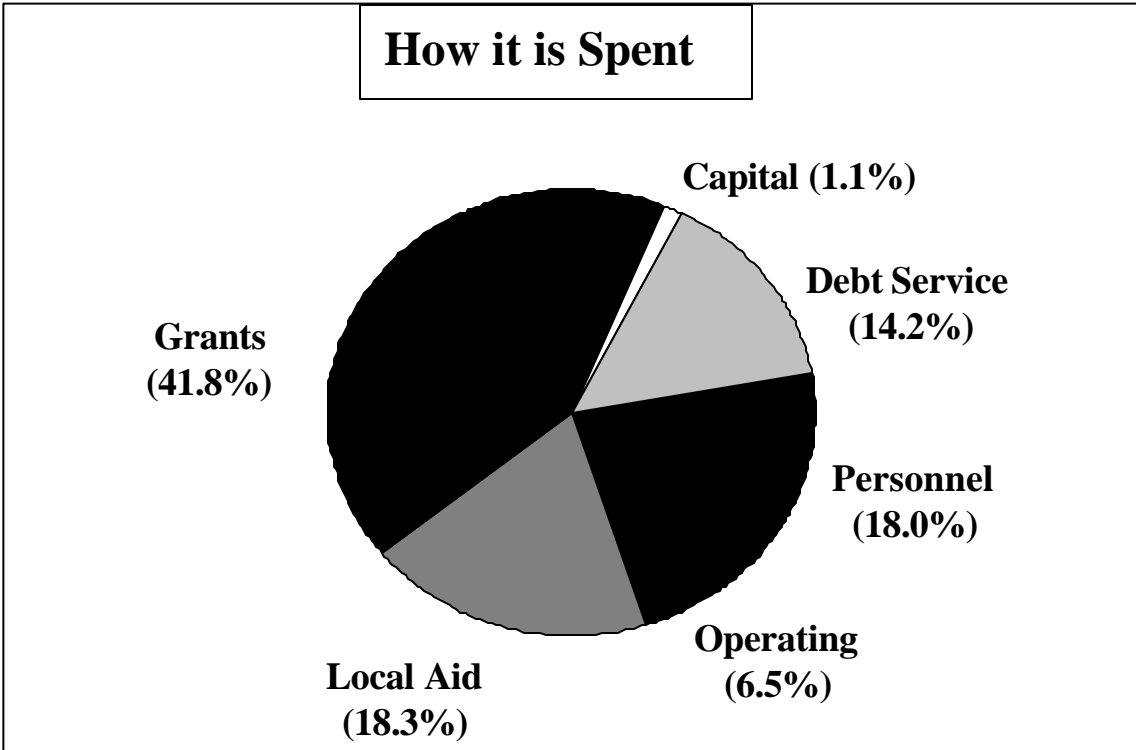
An increase of \$64.2 million in other fund expenditures from the enacted budget is primarily due to greater than anticipated Unemployment Insurance Benefit payments of \$64.9 million resulting from a federal extension of benefit eligibility by thirteen weeks, offset by reductions of \$15.1 million in Temporary Disability Insurance payments. Other funds for debt service on general obligation bonds also increases \$14.7 million for transfers to the Rhode Island Capital Plan Fund, as noted above.

For FY 2005, the Governor recommends expenditures of \$1.092 billion for General Government programs. The programs are financed with \$478.1 million of general revenue, \$78.3 million of federal funds, \$65.7 million of restricted receipts, and \$469.6 million of other funds. The FY 2005 recommendation for General Government agencies is \$2.8 million less than the revised FY 2004 level.

General Government



Of \$1.092 billion recommended for FY 2005, \$456.6 million is for grants and benefits, \$196.3 million for personnel, \$200.2 million for local aid, \$167.1 million for capital, and \$71.5 million for operating.



General Government

General revenue funding for General Government agencies in FY 2005 increased by \$21.1 million from the FY 2004 revised level. The Department of Administration accounts for most of this increase, totaling \$23.1 million, primarily attributable to an increase in general revenue funded debt service of \$21.8 million. The increase is the net result of several adjustments, including: a \$10.5 million increase due to a shift in debt service previously financed from the Rhode Island Capital Plan Fund; an increase of \$9.1 million for projected new debt issuances, including new general obligation debt and Certificates of Participation for the new Kent County Courthouse and the new Department of Children, Youth and Families' Training School; an increase of \$1.9 million for Neighborhood Housing and Travelers Aid projects;. Increases of \$5.9 million statewide are recognized temporarily in Administration general revenue accounts for the net cost of the Governor's salary and benefit adjustment proposal. Initiatives included in the Department of Administration recommendation include \$1.5 million for EPSScore, to provide seed funding to attract increased National Science Foundation grants, and an additional \$1.0 million for a total of \$2.0 million for information technology initiatives and to continue the implementation of the RISIAL financial information system. Compared to the revised FY 2004 budget, grants decrease by \$1.9 million, the Governor's Contingency Fund by \$1.3 million, and funding for the Renewable Energy program by \$3.7 million. An additional \$1.4 million is recommended for the Station Fire Compensation fund in the Office of the Treasurer.

In FY 2005, federal funding for General Government agencies decreases by approximately \$4.1 million from the FY 2004 revised level. The change results primarily from a \$7.6 million reduction in the Department of Labor and Training, primarily from contraction in service and support programs, including administration of the Unemployment Insurance benefit program. Increases in federal funds of \$1.8 million statewide are recognized temporarily in Administration accounts for the net cost of the Governor's salary and benefit adjustment proposal, as is the addition of \$2.5 million for a new community development grant award year.

Increases totaling \$4.9 million in restricted funds occur mostly in Labor and Training for \$2.3 million, representing expanded programs in the Job Development Fund, and \$1.3 million in the Station Fire Compensation Fund .

For FY 2005, both the Departments of Administration and Labor and Training have significant changes in other fund expenditures from the FY 2004 revised level. The Department of Administration change in other funds is attributable to debt service. There is a \$6.6 million reduction in debt service expenditures, which primarily reflects the redirection of expenditures from the Rhode Island Capital Plan Fund to general revenue. This decrease is partially offset by an increase of \$2.5 million recognized temporarily in Administration accounts for the net cost of the Governor's salary and benefit adjustment proposal. The Department of Labor and Training includes a reduction of \$22.9 million in other funds from a \$32.4 million decrease in Unemployment Insurance benefit payments, a \$5.7 million increase in Temporary Disability Insurance benefit payments, and a \$3.9 million increase in Employment Services expenditures from Reed Act funds. The decrease in Unemployment Insurance benefit payments is associated with an anticipated end to the extension of benefits authorized by the federal government.

General Government

Summary

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The FY 2004 revised budget for General Government agencies totals \$1.095 billion, including \$457.1 million in general revenue, \$82.4 million in federal funds, \$60.7 million in restricted receipts, and \$494.3 million in other funds. The revised budget from all fund sources for General Government agencies is \$51.1 million greater than the FY 2004 enacted budget.

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General Government

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General Government

Department of Administration

The Governor recommends revised appropriations of \$519.9 million in FY 2004 for the Department of Administration. This includes \$393.6 in general revenues, \$37.8 in federal funds, \$10.6 in restricted receipts, and \$77.9 in other funds.

The revised FY 2004 budget is \$1.0 million greater than the enacted budget. This increase is comprised of a decrease in general revenue appropriations of \$15.4 million, a decrease in federal funds of \$0.7 million, an increase in restricted receipts of \$1.5 million and an increase in other funds of \$15.6 million.

Reappropriation of funds from FY 2003 results in an increase of \$4.2 million in general revenue funding in FY 2004. This includes \$1.9 million for the Renewable Energy Program, \$0.5 million in the Governor's Contingency Fund, \$375,460 for the Property Revaluation Program, \$350,138 for continuation of customer service initiatives and enhancements at the Registry of Motor Vehicles and \$198,450 for various equipment upgrades in the Division of Taxation.

Debt Service adjustments account for the most significant changes in funding in the revised budget. General revenue financed debt service decreases by \$20.4 million, whereas debt service from federal funds increases by \$21,575, from restricted receipts increases by \$1.9 million and from other funds increases by \$13.8 million.

General revenue funded debt service decreases as a result of several factors. First, the Governor recommends reallocation of \$14.7 million in Rhode Island Capital Plan Fund resources to debt service, which results in a shift from general revenue to other funds. Second, savings are generated in FY 2004 as a result of delays in the issuance of new general obligation debt and debt associated with the new Kent County Courthouse. Combined, these delays result in savings of approximately \$3.4 million. Third, the Governor also recommends a decrease of \$1.7 million in general revenues and a commensurate increase in restricted receipts associated with Rhode Island Convention Center Authority debt. This adjustment in fund sources is based on anticipated increases in revenues, enabling the Authority to pay a greater share of its debt service expenses.

Local Aid increases by a net of \$281,378, which is comprised of an increase in funding for the Motor Vehicle Excise Tax Phase-out program of \$649,257, an increase for General Revenue Sharing of \$12,469 and a decrease for Library Construction Aid of \$380,348. These adjustments are based on the latest data used to determine the actual costs of these programs and to provide full funding under current law. In addition, the Governor recommends that funding for the Distressed Communities Relief Program be limited to the amount of the enacted appropriation, and not adjusted upward based upon increased revenues from the Real Estate Conveyance Tax. Based upon current estimates, this recommendation will reduce the obligation to eligible communities by approximately \$1.0 million.

Also included in the FY 2004 revised budget are various adjustments of funding for personnel and operating costs within the several programs of the department. The funding changes recommended are primarily for unrealized turnover and adjustments to operating to better reflect projected expenditures.

General Government

The Governor recommends total expenditures for FY 2005 of \$542.7 million for the Department of Administration. This includes \$416.7 million in general revenues, \$40.4 million federal funds, \$11.2 million in restricted receipts, and \$74.4 million in other funds. Overall, this represents an increase of \$22.8 million from the FY 2004-revised budget. General revenue funds increase \$23.1 million, federal funds increase \$2.7 million, restricted receipts increase by \$0.5 million and other funds decrease by \$3.5 million.

General Revenue debt service, which is entirely budgeted within the Department of Administration, increases from \$64.6 million in the revised FY 2004 budget to \$86.4 million in the FY 2005 recommendation. This increase of \$21.8 million is the net result of several adjustments. First, there is a \$10.5 million increase due to a reversion of debt service expenses from the Rhode Island Capital Plan Fund back to general revenues. Second, an increase of \$9.1 million is budgeted for projected new debt issuances, including new general obligation debt and Certificates of Participation for the new Kent County Courthouse and the new Department of Children, Youth and Families' Training School. Third, there is an increase of \$1.0 million for debt obligations for the Convention Center Authority. Fourth, there is an increase of \$1.9 million relating to debt issued for the Neighborhood Opportunities Affordable Housing Program and the Traveler's Aid Society relocation. Fifth, a decrease of approximately \$5.7 million results from the refunding of older Public Buildings Authority debt. Finally, an increase of \$6.1 million is necessary as savings from the defeasance of debt with Tobacco Securitization proceeds diminish compared to FY 2004. The FY 2005 recommendation will also finance \$1.1 million for payments on behalf of Fidelity Investments in accordance with an incentive-based agreement with the company. The FY 2005 recommendation will also continue to finance a level amount of \$3.7 million for estimated payments to the Providence Place Mall developers under the Mall Act, which is linked to the sales tax generated at the mall.

The FY 2005 budget includes level funding of most aid programs for local communities, and provides minor increases in other aid categories. The General Revenue Sharing program is recommended at \$51.4 million, equal to the FY 2004 revised budget. The Governor proposes to amend current statutes to establish the funding level for FY 2005 equal to the amount appropriated, and to delay future percentage distribution increases under this program by one year beginning in FY 2006. This would result in the share of general revenue taxes distributed to cities and towns increasing to 3.0 percent in FY 2006, and ultimately to 4.7 percent in FY 2011.

The Motor Vehicle Excise Tax Phase-Out program is level funded at \$105.0 million. The Governor proposes to amend the Motor Vehicle and Trailer Excise Tax Elimination Act of 1998, by providing for state reimbursement of lost excise tax revenues to cities and towns based upon the *prior* local fiscal year. The change in reimbursement from a concurrent to a prior local fiscal year basis would begin in state fiscal 2005. Although this will delay increases in reimbursement by one year, a major benefit of this proposal is that local communities will have knowledge of the level of actual reimbursements for a given fiscal year prior to the start of the fiscal year. Under current law, reimbursements can and often do change from projections made prior to the start of the fiscal year, which results in some communities receiving less funding than anticipated in enacted fiscal year budgets.

The Payment-in-Lieu-of-Taxes (PILOT) program is also level funded at \$21.7 million, which will require payments to eligible communities to be ratably reduced to ninety-three percent of levels required under full funding of this program. The Distressed Communities Relief Program is funded at the FY 2004 enacted level of \$7.5 million, which will require an amendment to current law to permit

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FY 2005 disbursements to be equal to appropriations. This change will save the state approximately \$1.1 million. State Library Aid is fully funded at \$7.9 million to reimburse local libraries for twenty-five percent of FY 2003 expenditures. Library Construction Aid will increase \$464,477 over FY 2004-revised funding to fully fund projected FY 2005 payments for current commitments. The Municipal Police and Firemen Incentive Pay program is level funded at \$1.1 million. Finally, the Property Revaluation Program is funded at \$2.2 million to reimburse those communities scheduled to perform revaluations and/or statistical updates during FY 2005.

As part of the FY 2005 budget, the Governor is recommending that state employees receive a two-percent cost-of-living increase, and initiate contributions to health insurance premiums. The FY 2005 budget includes a total increase of \$10.6 million in all funds, including \$5.9 million in general revenues, to finance the net additional cost associated with this proposal. A separate program has been established within the budget of the Department of Administration to segregate the funding associated with this proposal. This funding will ultimately be distributed to the budgets of the various agencies to finance actual costs in the proper locations.

Savings of \$3.4 million statewide are projected within the FY 2005 budget as a result of one initiative from the Fiscal Fitness program, with an offsetting cost of \$1.6 million budgeted within the Department of Administration. The Department has entered into an agreement with a firm specializing in procurement and expenditure analysis, which will entail the review of several categories of expenditure within the state budget. Actions resulting from this intensive review are projected to result in significant savings to the state in these various categories. As the savings materialize, contingent payments will be made to the consulting firm. The FY 2005 budget anticipates that a minimum of \$3.4 million in savings will result statewide and that the payment ceiling of \$1.6 million in the contract will be executed. If savings generated are less than the estimate, then a smaller payment to the vendor will be made. If savings generated are greater than estimated, the state will benefit from all additional savings.

As in the FY 2004 enacted budget, the Governor is recommending an increase in funding for technology. Combined with base funds within accounts for the Chief Information Officer, and recommended additions, a total of \$2.0 million will be available for technology initiatives in FY 2005. One major element began in FY 2004 and continues into FY 2005, performing a comprehensive review of the RI-SAIL financial information system to determine the next actions to improve the system to an enhanced level of utility in support of the information requirements of all state agencies. An additional \$100,000 is also recommended within the office of the Chief Information Officer to be used to implement a statewide system for data sharing in support of various revenue collection initiatives.

The Governor is recommending additional funding in the economic development area to encourage the expansion of the biotechnology and aquaculture fields in the state. The Governor recommends new funding of \$200,000 to finance planning efforts for a Marine BioScience Research and Business Park at the Quonset Point/Davisville Industrial Park. The goal of this funding is to serve as a catalyst to attract significant private capital and expertise to Rhode Island to focus on aquaculture and harvesting compounds from the sea for use in biotech applications. In addition, funding of \$1.5 million is recommended to fund a state match for the Experimental Program to Stimulate Competitive Research (EPSCoR), a program that encourages states who have received relatively small amounts of funding from the National Science Foundation to gain access to larger grants. The University of Rhode Island, in cooperation with Brown University and other Rhode Island educational institutions, has applied for an EPSCoR Grant, which will require a state match of \$1.5 million.

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The Governor recommends reductions of \$750,000 in the Governor's Contingency Fund, approximately \$2.3 million in legislative grants, and \$1.8 million in the Renewable Energy Program, which is primarily based upon a projection of cash flow requirements for this program.

FY 2005 funding for core programs within the Department of Administration is comparable to FY 2004 revised funding levels, adjusted for longevity and other general personnel costs. The budget recommendation includes eight new FTE positions in the Division of Taxation. These new revenue collection and audit positions are projected to generate additional revenues of approximately \$7.3 million in the first year, with increasing benefits in future fiscal years. The Governor recommends FTE position ceilings of 1,261,2 in FY 2004 and 1,269,2 in FY 2005.

Department of Business Regulation

The Governor recommends a revised FY 2004 budget of \$10.5 million, including \$9.9 million in general revenue and \$623,080 in restricted receipts. General revenues increase \$230,875 from the enacted level, reflecting a reappropriation of FY 2003 balances of \$287,941 to implement standardized business regulations as required by the federal Gramm-Leach-Bliley act, and reduction of \$39,995 for savings in regulating of Jai Alai activities in Newport, now terminated.

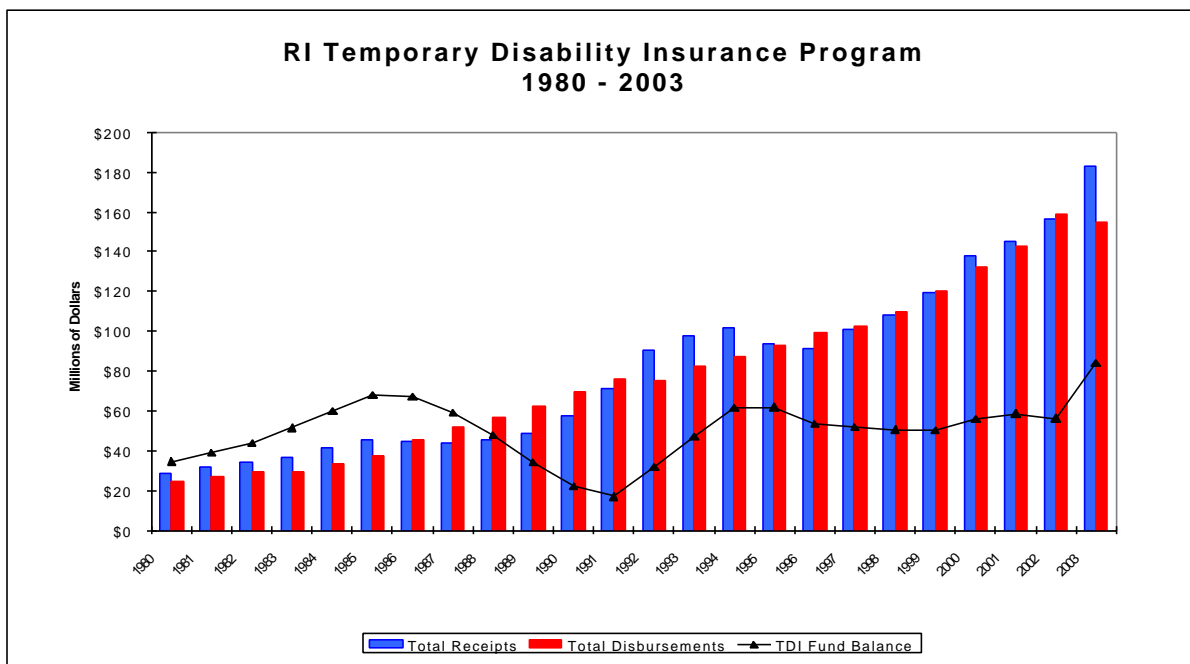
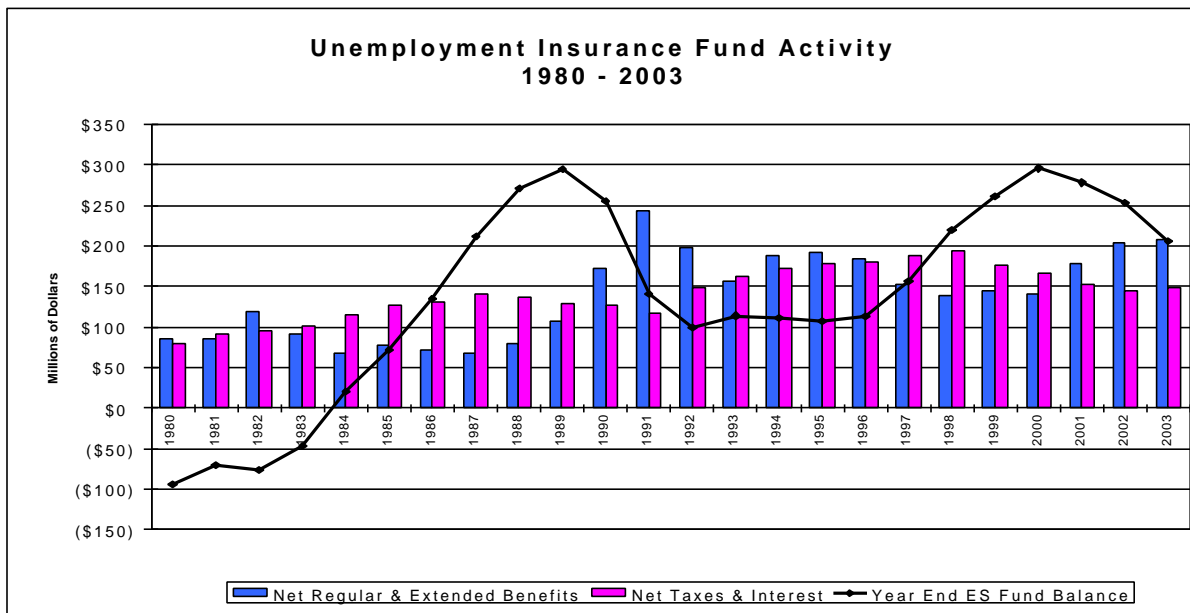
The Governor recommends total expenditures of \$10.2 million for the Department of Business Regulation in FY 2005. This includes \$9.6 million from general revenue and \$629,657 from restricted receipts. General revenue funds decrease \$318,431 from the FY 2004 revised level, reflecting the absence of reappropriations in the revised FY 2004 budget only. The Governor recommends a total of 106.0 FTE positions in FY 2005, which is 3.0 FTE positions below the FY 2004 level. The reductions and associated savings will be achieved through the elimination of positions that are currently vacant.

Department of Labor and Training

The Governor recommends expenditures of \$477.9 million in the FY 2004 revised budget, including \$7.5 million in general revenue, \$36.4 million in federal funds, \$23.8 million in restricted receipts, and \$410.3 million in other funds. The revised budget is \$52.5 million greater than the enacted budget of \$425.3 million. Most of the increase is in other funds of \$49.8 million, followed by federal funds of \$4.5 million. The increases are partially offset by a decrease in restricted receipts expenditures of \$1.4 million and general revenue expenditures of \$456,754. The reduction in general revenue expenditures is associated with a shift of \$683,884 in general revenue expenditures to the Tardy and Interest Funds, which are restricted receipts, and an increase of \$235,423 for unanticipated Police and Fire Relief benefit payments. The increase in other fund expenditures is largely associated with greater than anticipated Unemployment Insurance Benefit payments of \$64.9 million. In May 2003, the federal government passed Temporary Extended Unemployment Compensation (TEUC) legislation which extended benefits for eligible unemployed workers through December 31, 2003. The FY 2004 revised budget also reduces Temporary Disability Insurance other fund expenditures by \$15.1 million due to lower than projected benefit payments. Additional expenditures from federal funds of \$4.5 million reflects new discretionary grant awards for workforce development and training programs, and balance forward funding from FY 2003. For FY 2004 and FY 2005, the Governor recommends continued financing of the Rapid Job Entry program using Reed Act Funds.

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By category of expenditure, the FY 2004 revised budget includes an increase of \$51.4 million for grants and benefits, \$789,952 for operating cost, and \$350,669 for personnel. The increase in expenditures for grants and benefits is due to Unemployment Insurance Benefit payments, while the increase in operating costs is primarily due to computer equipment of \$353,159, electricity of \$200,727, and inter-fund transfers. The increase in personnel is associated with purchased services. The recent fund balance trends for both Employment Security Trust Fund and Temporary Disability Insurance Fund are shown in the graphs below. It should be noted that Rhode Island's Employment Security Fund is in stable condition, relative to other states. At the end of 2003, the balance of the Employment Security Fund was \$200 million.



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In FY 2005, the Governor recommends expenditures of \$448.8 million, including \$6.6 million in general revenue, \$28.7 million in federal funds, \$26.0 million in restricted receipts, and \$387.4 million in other funds. In the aggregate, FY 2005 expenditures are \$29.2 million less than the FY 2004 revised budget. The decrease is associated with \$22.9 million of other funds expenditures, \$7.6 million of federal funds, and \$1.5 million of general revenues. Restricted receipt expenditures in FY 2005 are \$2.9 million greater than the FY 2004 revised budget. The net \$22.9 million decrease in other funds reflects a \$32.4 million decrease in Unemployment Insurance benefit payments, a \$5.7 million increase in Temporary Disability Insurance benefit payments, and a \$3.9 million increase in Employment Services expenditures from Reed Act funds. The decrease in Unemployment Insurance benefit payments is associated with the economic recovery and an end to the extension of benefits authorized by the federal government.

Federal funds decrease by \$7.6 million in FY 2005 due to reductions in discretionary grant funding, and to FY 2003 balance forward funding that is included in the FY 2004 budget, but not in the FY 2005 budget. The reductions in federal funds are primarily in the Workforce Development Services program, which decreases by \$4.2 million, and the Income Support program, which decreases by \$3.3 million. Some of the larger discretionary grant programs ending, or contracting in FY 2005 include Workforce Investment Act Youth (a reduction of \$1.1 million), Dislocated Worker (a reduction of \$658,907); and School-to-Work (a reduction of \$544,872). In the Income Support program, funds for administration of the Unemployment Insurance benefit program decline by \$1.9 million, while Reed Act disbursements are projected to decline by \$1.5 million.

In FY 2005, restricted receipt expenditures increase by \$2.3 million from FY 2004 revised levels. The increase is primarily associated with Human Resource Investment Council (HRIC) programs, which are projected to grow by \$3.5 million from \$8.9 million to \$12.7 million. The Governor recommends that the Human Resource Investment Council provide \$3.4 million for adult literacy programs in FY 2005, including \$2.0 million in the Council's base plan and \$1.4 million that was previously funded from general revenue. The HRIC programs are financed from the Job Development Fund.

General revenue expenditures decrease by \$1.5 million in FY 2005. Most of the reduction is associated with a shift of \$1.4 million for community-based adult literacy programs from general revenues to restricted receipts. Other major changes in general revenue funded expenditures include: a \$683,884 increase from the transfer of Workforce Regulation and Safety costs from Tardy and Interest Funds to general revenues; a \$293,000 reduction from elimination of a legislative grant to the Institute for Labor Studies; and a \$257,542 reduction for Police and Fire Relief Benefits. There is currently underway an audit of the program, including review of the eligibility of recipients receiving tuition and annuity benefits.

For FY 2004 and FY 2005, the Governor recommends an FTE authorization of 536.7 FTE positions for the Department of Labor and Training.

Legislature

The FY 2004 revised budget recommendation for the Legislature totals \$29.9 million, including \$29.0 million of general revenue and \$884,303 of restricted receipts. This reflects an increase of \$165,628 from the enacted which is composed of a reappropriation of \$1,734,898 of unexpended general revenue

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appropriations in FY 2003 offset by decreases of \$69,270 in the Blue Cross settlement, and a reduction of \$1.5 million, to zero, for a Legislative Office Building from RI Capital Plan funds.

The FY 2005 budget recommendation is \$27.4 million, of which \$26.4 million is general revenue, and \$949,365 is restricted receipts. The general revenue budget for FY 2005 exhibits a decrease of \$2.5 million from the adjusted base levels, primarily due to a decrease of \$2.7 million for grants in the Joint Committee on Legislative Services from the revised FY2004 level. This includes a reduction of \$1.3 million from the requested amount and \$1.4 million of reappropriations that are not repeated in FY 2005. In FY2003, \$1.7 million was spent on legislative grants within the Legislature's budget, the FY2005 recommendation includes \$1.0 million. Restricted receipts in FY 2005 increase \$65,062 from the adjusted base level, composed mainly of increases in personnel. The Governor recommends 280 FTE positions in both FY 2004 and FY 2005.

Lieutenant Governor

The Governor recommends general revenue expenditures of \$844,486 for FY 2004. This reflects a decrease of \$15,652 from the FY 2003 enacted budget. The Governor recommends a FY 2005 general revenue budget of \$865,343, or an increase of \$20,857 over the revised FY 2004 recommendation. The recommendations fully finance current operations for the Office of Lieutenant Governor. The Governor recommends 10 FTE positions in both FY 2004 and FY 2005.

Secretary of State

The FY 2004 revised budget totals \$7.6 million, including \$4.6 million in general revenue, \$2.5 million in Federal Funds and \$489,094 in restricted receipts. This represents a general revenue decrease from the enacted level of \$8,808. The decrease is primarily attributable to revisions in the Blue Cross Settlement amount. The revised budget for general revenues includes increases for legal services and costs associated with the Presidential Preference Primary, offset by savings in operating expense categories. The federal funds included in the revised budget for the Help America Vote Act (HAVA) have been reduced from the enacted level of \$8.3 million to the revised level of \$2.5 million. The decrease reflects the expenditures that are likely to occur during FY 2004; the enacted budget reflected all anticipated and available funding. The Office of the Secretary of State will utilize the HAVA funds over a multi-year period to satisfy requirements of the federal legislation.

The Governor recommends total expenditures of \$8.0 million in FY 2005, including \$4.8 million of general revenue, \$2.6 million of federal funds and \$523,433 of restricted receipts. The general revenue recommendation represents an increase of \$177,993 from the FY 2004 revised recommendation. This primarily reflects expenditures in FY 2005 for the primary and general election cycle which occurs during the first half of fiscal year 2005. The increase in election costs is partially offset by a reduction of \$206,753 for grants relating to the preservation of historical documents by private historical societies. This recommendation reflects the ability of these organizations to obtain private sources of financing for the activities. The FY 2004 budget includes \$42,000 for ongoing programming requirements for the Uniform Commercial Code system, as part of the RI e-Government Fund. The Office of the Secretary of State is working in concert with the Board of Elections to implement federal election reform legislation, which will include the replacement of some voting equipment, implementation of provisional balloting, the creation of a central voter registry, and voter training and education initiatives. As in FY 2004, the FY 2005 budget reflects Federal HAVA funding for the

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payment of the State's Optical Scan Voting Equipment Lease purchase. This existing equipment meets many of the mandatory requirements under HAVA and will be utilized in concert with new equipment to meet all of the provisions and guidelines under HAVA. The Governor recommends 59 FTE positions in both FY 2004 and FY 2005.

General Treasurer

The Governor recommends a revised FY 2004 budget of \$33.5 million for the Office of the General Treasurer. This funding is comprised of \$3.6 million in general revenue, \$4.5 million in federal funds, \$19.2 million in restricted receipts, and \$6.1 million in other funds. The revised budget for all funds represents an increase of \$2.6 million or 8.6 percent. The revised general revenue budget increases by \$793,945 over the enacted level.

The change in general revenue funding reflects the Governor's recommendation for supplemental funds of \$800,000 for the Crime Victims Compensation Program. In the enacted FY 2004 budget, the Rhode Island Crime Victim Compensation Program was fully financed from court-ordered payments against convicted individuals and from federal funds. No general revenue funding for the program was required. However, with the filing of formal criminal charges in the Station nightclub fire, victims of this event will be eligible for relief through the program. Due to the large number of victims, both deceased and injured, the compensation program will be unable to finance all compensation payments from non-general sources. An additional \$1.2 million in federal funds for victim compensation costs is also recommended. The Governor also recommends an FTE level of 87.5 positions for the Treasures Office. This represents an increase of 3.0 positions over the enacted level. The additional positions will be in the agency's State Retirement System program. This increase results from a growing demand for retirement consultations from State, municipal, and school department employees.

The Governor recommends total expenditures of \$39.2 million for the Office of General Treasurer in FY 2005, including \$5.0 million in general revenue, \$5.4 million in federal funds, \$21.1 million in restricted receipts, and \$7.7 million in other funds. The general revenue budget increases by \$1.4 million from revised FY 2004 levels, for additional claims associated with the Station nightclub fire. Additions of \$2.9 million in federal funds and \$1.3 million in restricted revenue are also recommended for Station fire claims. The agency's staffing level remains at 87.5 FTE positions in FY 2005.

Boards for Design Professionals

For FY 2004, the Governor recommends expenditures of \$408,371, comprised entirely of general revenue, for the Boards for Design Professionals. This reflects an increase of \$17,033 from the enacted budget, primarily for legal services contracts.

In FY 2005, total recommended expenditures are \$413,929, an increase of 1.4 percent from the FY 2004 revised budget, primarily related to increases in personnel. The Boards for Design Professionals is a consolidated program consisting of the Board of Registration of Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examination and Registration of Architects, and the Board of Examiners of Landscape Architects. The Governor recommends 4.0 FTE positions in FY 2004 and FY 2005.

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Board of Elections

For FY 2004, the Governor recommends a revised budget of \$2.6 million to finance board operations, local and general elections and the requirements of the Help America Vote Act (HAVA). The recommended budget for FY 2005 includes 15.0 FTE positions. The operating budget is \$265,577 greater than the FY 2004 enacted budget. General revenues are \$1.4 million in FY 2004, an increase of \$46,287 from the enacted level. Federal funds total \$1.2 million, an increase of \$218,750. The general revenue increase is largely attributable to costs associated with the Presidential Preference Primary, special local elections and personnel costs. The increase in federal expenditures is attributable to personnel costs, legal fees, printing, staff education and the purchase of Ballot Security Cases.

The total FY 2005 budget recommendation of \$2.6 million finances the operating requirements of the Board of Elections, including \$1.0 million in federal funding relating to election reform and \$1.6 million in general revenues. The operating budget includes full and part-time personnel costs, as well as leased equipment and vendor payments for the optical scan ballot system. A total of 15.0 FTE positions are recommended for the board in FY 2005. The general revenue funding includes expenditures associated with conducting the Primary and General Elections in November of 2004, in addition to existing board operations. Federal funds will be utilized for Poll Worker training, for the development of provisional balloting, and for election related equipment purchases. The Board of Elections is working in concert with the Secretary of State's Office to implement these and other requirements of the Federal election reform legislation passed in 2002. As in FY 2004, the FY 2005 budget reflects Federal HAVA funding for the payment of the State's Optical Scan Voting Equipment Lease purchase. This existing equipment meets many of the mandatory requirements under HAVA and will be utilized in concert with new equipment to meet all of the provisions and guidelines under HAVA.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2004 budget for the Rhode Island Ethics Commission of \$946,840, composed entirely of general revenue expenditures, and \$4,246 greater than the FY 2004 enacted level. The revised FY 2004 budget consists of a reappropriation of \$26,397 in FY 2003 funds for information technology, advertising, and stenographic services. The recommendation also reflects \$18,962 in personnel savings due to vacancies and medical benefits.

In FY 2005, the Governor recommends a budget of \$953,725, consisting entirely of general revenue. This proposed level of funding is \$6,885 greater than FY 2004 revised levels. This increase consists primarily of payroll and medical and retirement benefit costs. The Governor recommends 9.0 FTE positions in FY 2004 and FY 2005.

Office of the Governor

The Governor recommends general revenue expenditures of \$4.5 million in FY 2004 for the Office of the Governor. This represents an increase of \$176,436 above the enacted budget level and reflects the reappropriation of \$184,356 from FY 2003 to continue office improvements at the Statehouse.

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The Governor recommends general revenue expenditures of \$4.3 million for FY 2005, a decrease of \$109,039 from the revised budget level. The recommendation supports agency operations, including financing for 47.5 FTE positions in both FY 2004 and FY 2005.

Public Utilities Commission

For FY 2004, the Governor recommends total expenditures of \$5.9 million for the Public Utilities Commission. This funding is comprised of \$687,100 in general revenue, \$70,076 in federal funds, and \$5.1 million in restricted receipts. The recommendation reflects a net increase from enacted levels of \$15,820 in general revenues and \$22,158 for restricted receipts, for current service costs for personnel and associated operating. The Governor's supplemental budget includes statutory language to eliminate the scheduled addition of two members on the Commission.

For FY 2005, the Governor recommends total expenditures of \$6.1 million, consisting of \$670,154 in general revenue, \$73,038 in federal funds, and \$5.3 million in restricted receipts. This funding level reflects an increase of \$178,536 from the Governor's FY 2004 revised recommendations for all sources of funding, primarily from \$192,520 in restricted utility assessments to finance agency current services. The Governor recommends full time equivalent positions of 45.0 for both FY 2004 and FY 2005, unchanged from enacted levels.

Rhode Island Commission on Women

The Governor recommends a revised FY 2004 budget for the Rhode Island Commission on Women of \$68,082, composed entirely of general revenue expenditures. The revised FY 2004 budget includes a reduction from two enacted FTE positions to one, and associated savings of \$60,320. The recommendation includes funding for the Woman of the Year banquet, which is offset with general revenue receipts generated by ticket sales to the event.

In FY 2005, The Governor recommends a general revenue budget of \$84,639, representing a \$16,298 increase from the revised FY2004 budget, financing full annual costs for one staff position, and associated operating. Continued financing is provided for the Women of the Year banquet in FY 2005. The Governor recommends 1.0 FTE position in FY 2004 and FY 2005.

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Human Services

Human Services

Summary

The Human Services function of state government includes a broad spectrum of activities including, but not limited to, income supports, client subsidies, case management and residential supports, and medical regulation, prevention, treatment, and rehabilitation services.

For FY 2004, the Governor recommends a revised all funds budget of \$2.417 billion. Of this total, \$1.053 billion is general revenue, an increase of \$19.8 million from enacted levels. Net caseload conference adopted estimates required the addition of \$2.8 million to Department of Humans Services (DHS) accounts; initiatives to increase federal Medicaid revenues at the Department of Mental Health, Retardation, and Hospitals and RIPTA require the addition of \$4.8 million to DHS general revenue accounts, which is offset by immediate credits to general revenue receipts upon expenditure. Current services requirements require additions to enacted appropriations for Children, Youth, and Families of \$4.5 million, for Elderly Affairs of \$1.8 million, and for the Department of Mental Health, Retardation, and Hospitals for \$5.3 million.

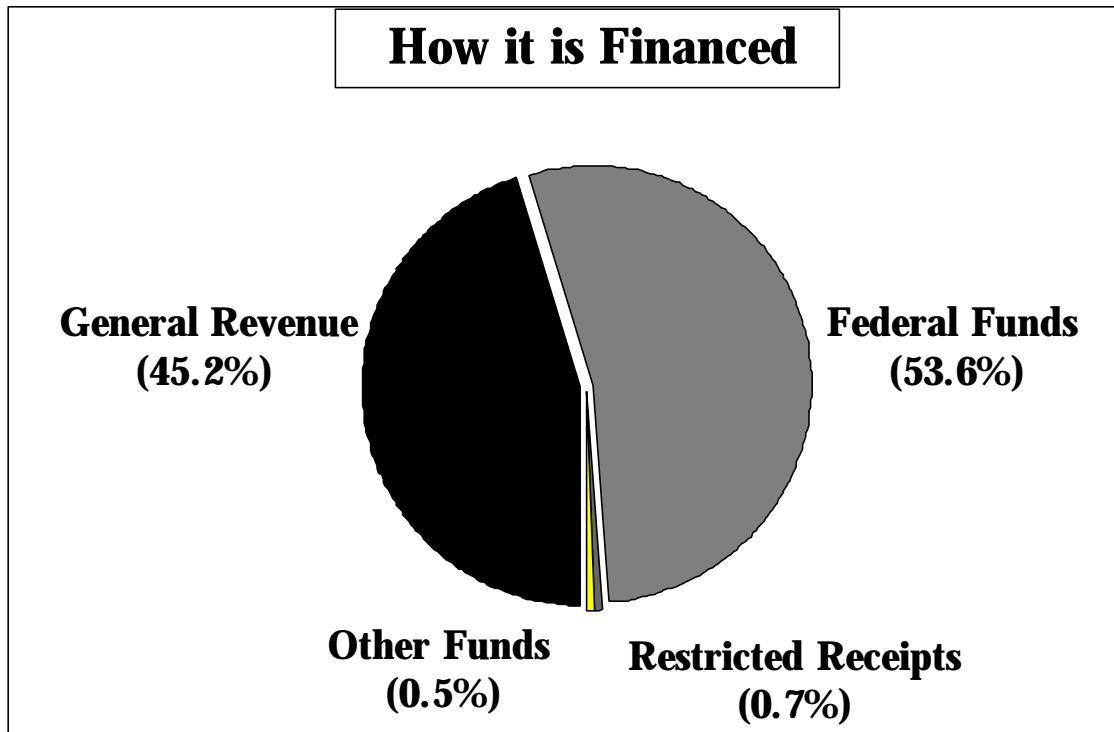
Revised funds totaling \$74.5 million are recommended for federal grants in FY 2004. This is a \$44.8 million increase from enacted levels, and recognizes federal match on increased caseloads of \$11.4 at Department of Humans Services, \$6.2 million at the Department of Children, Youth, and Families, and \$1.3 million for the Department of Mental Health, Retardation, and Hospitals. Initiatives to increase Medicaid reimbursement at MHRH and RIPTA add \$6.0 million to DHS general revenue accounts. Capital project reimbursements at the Veterans' Home and Veterans' Cemetery total \$3.4 million, and are recognized in DHS accounts. Additions are also recommended for the Department of Elderly Affairs for \$5.2 million, and Department of Health for \$10.3 million.

Revised funds totaling \$18.1 million are recommended for restricted in FY 2004, unchanged from enacted levels. Other funds decrease by \$2.2 million to \$6.8 million, reflecting the deferral of RI Capital Plan projects at MHRH and at DHS.

The Governor's proposed funding level of \$2.470 billion for FY 2005 protects services for the state's most vulnerable populations, including the elderly, children and families, medically needy, mentally ill, developmentally disabled, deaf and hard of hearing, and the physically disabled. The chart below displays funding by source for the Governor's FY 2005 recommendation for the human service agencies and departments.

The Human Services departments and agencies continue to leverage their resources so that both individuals and families achieve maximum potential and self-sufficiency. The social and economic needs of clients continue to be met through the services provided by the Departments of: Children, Youth, and Families; Elderly Affairs; Health; Human Services; and Mental Health, Retardation, and Hospitals. The Governor is committed to preventing child abuse and neglect, intervening for and on behalf of abused and neglected children and youths, and rehabilitating delinquent youths through education and training. The dual roles of advocacy and education continues to be provided by agencies including the Commissions on the Deaf and Hard of Hearing, Human Rights, and Disabilities, and the Offices of the Child Advocate and the Mental Health Advocate.

Human Services



For FY 2005, the Governor recommends total general revenue funding of \$1.117 billion, an increase of \$64.0 million from the FY 2004 revised budget. Of this amount, \$42.0 million is attributable to a reversion to base rates for federal matching for Medicaid benefits. Enhanced rates for FY 2004 included in the federal Tax Relief Act of 2003 expire June 30, 2004. General fund changes include increases of \$53.9 million for the Department of Human Services, \$10.2 million for the Department of Mental Health, Retardation and Hospitals, and \$3.0 million for the Department of Children, Youth and Families. These increases are offset by reductions of \$380,183 in the Department of Elderly Affairs, and \$2.8 million in the Department of Health.

Net changes of \$53.9 million in the Department of Human Services include: revised caseload conference estimates; revisions in the federal Medicaid matching rate, reduction of income ceiling for eligibility for child care subsidies, increases in child-care client co-payments, and reductions in application of child care provider rates. Accelerated sanctions for clients out of compliance with employment plans would reduce Family Independence Program cash benefit expenditures. The Governor also recommends continuation of uncompensated care payments to community hospitals; this program expires in current law, and will require a statutory change. Reductions to Medical Benefits expenditures, from the levels adopted by the caseload conference also include: deferring a scheduled expansion in principles of reimbursement for nursing facilities; savings from expanded effort in the areas of claims management, third party recoveries, eligibility reviews, disease and pharmaceutical management, admissions reviews, and error reduction. These items are discussed in greater detail in the Department of Human Services section of this document.

Human Services

Within the Department of Mental Health, Retardation and Hospitals, the Governor proposes a net increase of \$10.2 million to support the current costs for caseloads in the Developmental Disability program, and general revenue additions for the end of enhanced federal Medicaid matching funds. Reductions are recommended for expenditures for supportive services to Mental Health programs, and for Mobile Home Treatment reimbursements. Adjustments to Substance Abuse programs generate savings from procurement revisions, grant reductions and increased federal reimbursements.

The Governor recommends a general revenue increase of approximately \$3.0 million in FY 2005, compared to FY 2004 revised levels, for the Department of Children, Youth and Families. Increases for reduced federal Medicaid matching rates and for medical services inflation are partially offset by initiatives to reduce psychiatric hospital stays and to increase parental support contributions.

General fund recommendations for the Department of Health decrease by \$2.8 million from revised FY 2004 levels. Agency programs are financed at current service levels with savings from assignment of eligible service costs for early intervention to private insurers, and for eligible agency costs to available indirect cost recoveries.

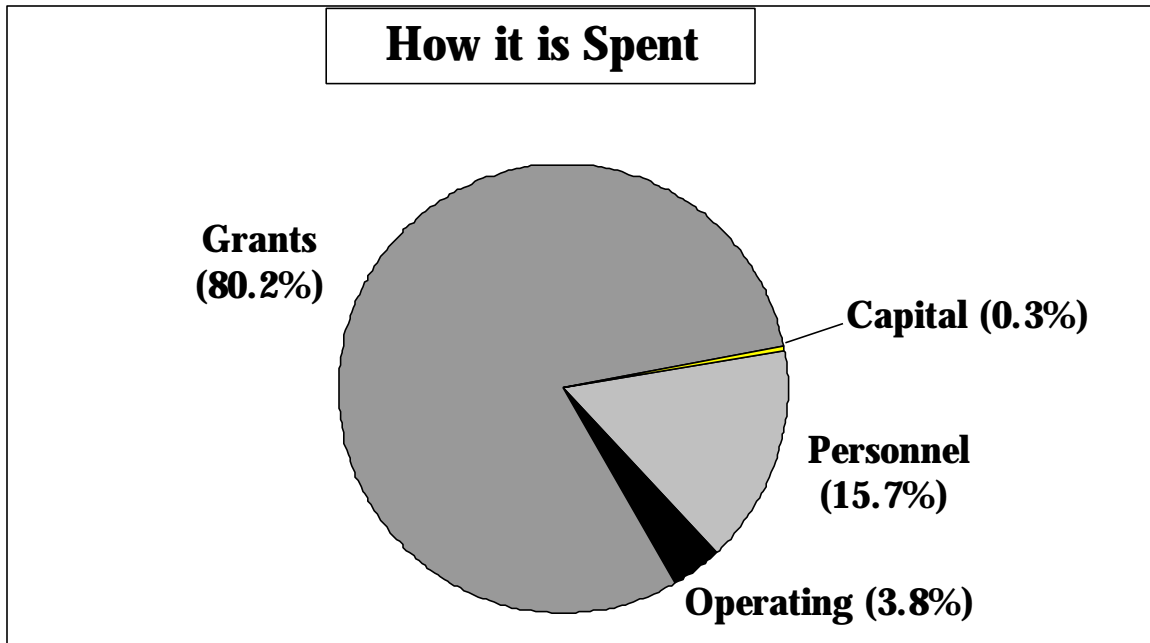
The Governor proposes general revenue expenditures for the Department of Elderly Affairs in FY 2005 that are \$380,000 less than revised FY 2004 levels. Increases for caseload and utilization costs for RIPAE prescription assistance are offset by savings from initiating mail order prescriptions on a voluntary basis, and from requiring client participation in the new federal Medicaid purchase card.

The Governor proposes total human services expenditures of \$2.470 billion, consisting of \$1.117 billion in general revenue, \$1.325 billion in federal funds, \$17.4 million in restricted receipts, and \$10.8 million in other funds. The recommendation constitutes 41.5 percent of the total proposed expenditures for the state. Social services block grants and cash and medical assistance program funds constitute the major sources of federal funding.

The chart below displays the financing sources of the proposed funding of \$2.470 billion for human services programs. Whenever feasible, the Governor's plan leverages state resources with federal resources. For FY 2005, the state anticipates distributing \$108.2 million in state and federal resources to hospitals serving low-income persons under the Disproportionate Share Program.

The Governor's FY 2005 proposed level of expenditures includes direct and purchased services for residential care, medical care, and preventive health services, cash payments to individuals, and grant funding for non-governmental agencies. The operating costs associated with the administration of these social services programs are also included. Personnel, which includes purchased services, accounts for \$388.6 million, or 15.7 percent, of all expenditures programmed for human services. Other operating expenditures are recommended at \$93.7 million, or 3.8 percent of proposed total human services expenditures, with capital projects slated for \$7.4 million, or 0.3 percent. Grants and benefits expenditures of \$1.981 billion account for the largest outflow of identified resources, reflecting 80.2 percent of the total human services function budget. The chart below shows the outflows of all resources by category of expenditure for the human services function.

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Included in proposed FY 2005 grants and benefits expenditures are: \$1.469 billion for medical assistance payments; \$77.0 million for child care benefits for qualified families; \$179.8 million for services to the developmentally disabled, \$68.6 million for services to the mentally ill, \$15.0 million for the Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE) program, \$70.6 million for cash assistance grants for clients in the Family Independence Program; \$28.3 million in funding for anticipated caseloads in the Supplemental Security Income (SSI) program; and \$3.2 million to assist qualified individuals in the General Public Assistance (GPA) program.

The Governor recommends 4521. full-time equivalent positions in FY 2004, and 4,507.1 in FY 2004.

Human Services

Department of Children, Youth & Families

The Governor recommends total expenditures of \$245.6 million for the revised FY 2004 budget, including \$140.8 million in general revenue, \$102.5 million in federal funds, \$57,591 in other funds, and \$2.3 million in restricted receipts. The Governor's revised budget includes a net increase of \$4.5 million in general revenue expenditures. This represents a 3.3 percent increase over the enacted budget, and includes \$2.5 million for psychiatric hospitalization costs in the Children's Behavioral Health Program, \$2.6 million in the Child Welfare Program due to increased placements and reduced Medicaid matching funds, and \$303,000 in contract services for medical, education, and legal services. Other increases reflected in the FY 2004 budget occur in the Juvenile Corrections Program. Operating expenses at the Rhode Island Training School increase by \$262,000 for repairs to aging facilities. Savings result from placement of children with special health care needs in the Rite Care Managed Care Program. Reimbursement rates for psychiatric hospitals have been reduced for Administrative Necessary Days when a child is placed in extended psychiatric hospitalization.

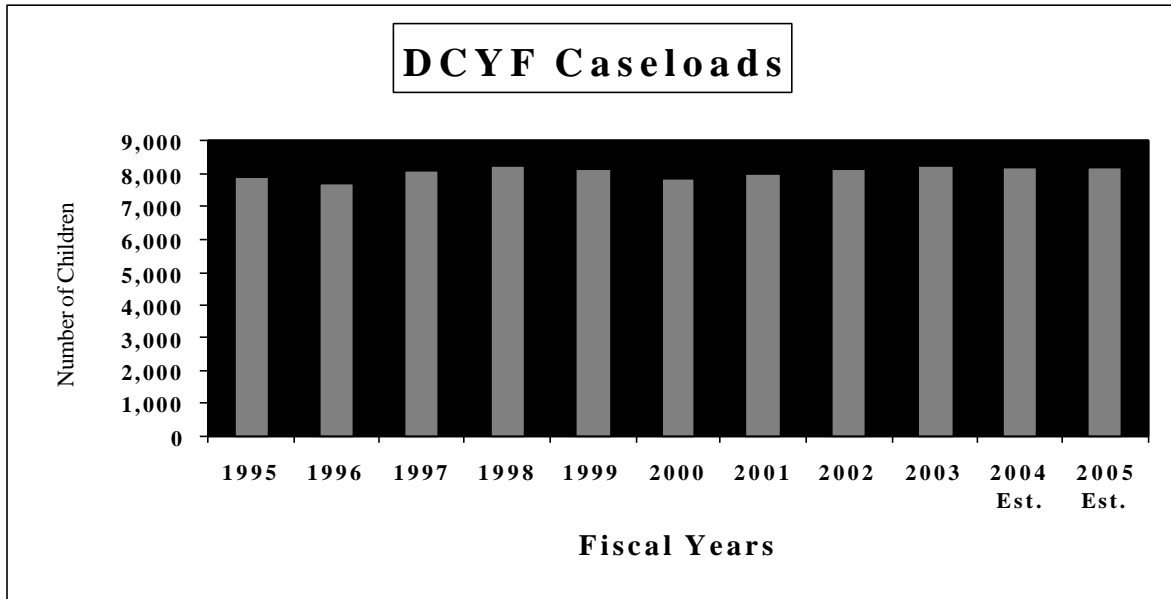
The Governor recommends total expenditures of \$243.7 million in FY 2005 for the Department of Children, Youth & Families. This budget is comprised of \$143.9 million in general revenue, \$98.1 million in federal funds, \$179,660 other funds, and \$1.5 million in restricted receipts. The recommended FY 2005 general revenue budget increases by \$3.0 million from the revised FY 2004 budget. A major component of this increase is due to a decrease in federal matching funds for Medicaid in FY 2005, from FY 2004 rates, reflecting the expiration of enhanced match in the Federal Fiscal Relief Act. The Governor recommends FTE position ceilings of 849.8 in FY 2004 and 851.8 in FY 2005.

The Governor's Capital Improvement Plan includes \$69 million for the construction of a new 228-bed Training School at the Pastore Center. The project is intended to replace the existing training school, address overcrowding issues, and to comply with a Federal Court consent decree. The new facility will house detained and adjudicated male and female residents and provide equitable opportunities for residents to participate in educational, recreational, and rehabilitative programming. Architectural design commenced in FY 2002. The project will be financed from the issuance of certificates of participation, if approved by the Legislature, and with funds available from the Rhode Island Capital Fund, and from proceeds from sale of the Sockanosset property in Cranston to a private developer.

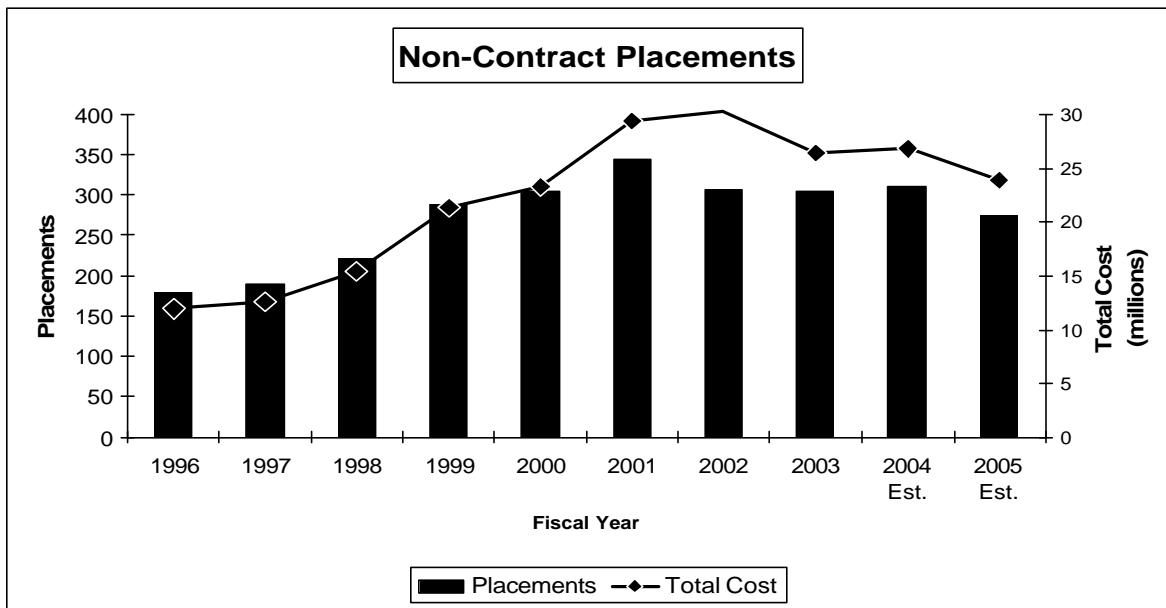
The Governor's FY 2005 recommended budget reflects the implementation of step-down programs at two psychiatric hospitals, in order to plan and manage admission, treatment, release and post-placement for inpatient stays. This program is based on the assumption that for each four placements developed, there will be a reduction of one child in the hospital population. The Department estimates that this will result in \$632,000 savings in general revenue funds. The recommended budget recognizes the continued utilization of Rite Care for special needs children for \$590,000 savings in general revenue, and \$1.4 million savings for all funds. Rhode Island reportedly averages higher lengths of stay nationally for psychiatric hospitalization, with half for more than thirty days. Most hospitalizations are at Bradley and Butler Hospitals. The costs per stay vary on circumstances. The Governor recommends that psychiatric hospitalization be limited to thirty days or less, which would produce an estimated \$1.7 million general revenue savings. A parental contribution program that requires biological parents to make child support payments for children in state custody will reduce general revenues costs by approximately \$300,000. This is a federal requirement for continued eligibility for Title IV-E grants.

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The graph below represents annual departmental caseloads since 1995.



Department caseloads (excluding children that are away without leave) are projected at 8,200 in FY 2004 and FY 2005, down from 8,235 actual cases in FY 2003. The Department is continuing its effort at reviewing the eligibility and duration of children and youth in its care. This effort includes analyzing the appropriateness of placements, treatment and custody. The Department projects that the number of purchased service placements will decrease from 310 in FY 2004 to 275 in FY 2005. The reduction of purchased service placements is a priority goal for the Department. The per diem rate for purchase of service placements has been reduced to \$228.16, an 8% reduction from FY 2004 enacted estimates. The reduction in the number of non-contract placements in FY 2005 assumes that continued utilization review and increased in-state capacity will result in children progressing through the child welfare system more rapidly and appropriately. These placements are tailored to meet the individual needs of each child, and include intensive supervision and emergency placements. The chart below displays the historical utilization data and revised FY 2004 and FY 2005 levels of purchasing of service placements, with associated costs.

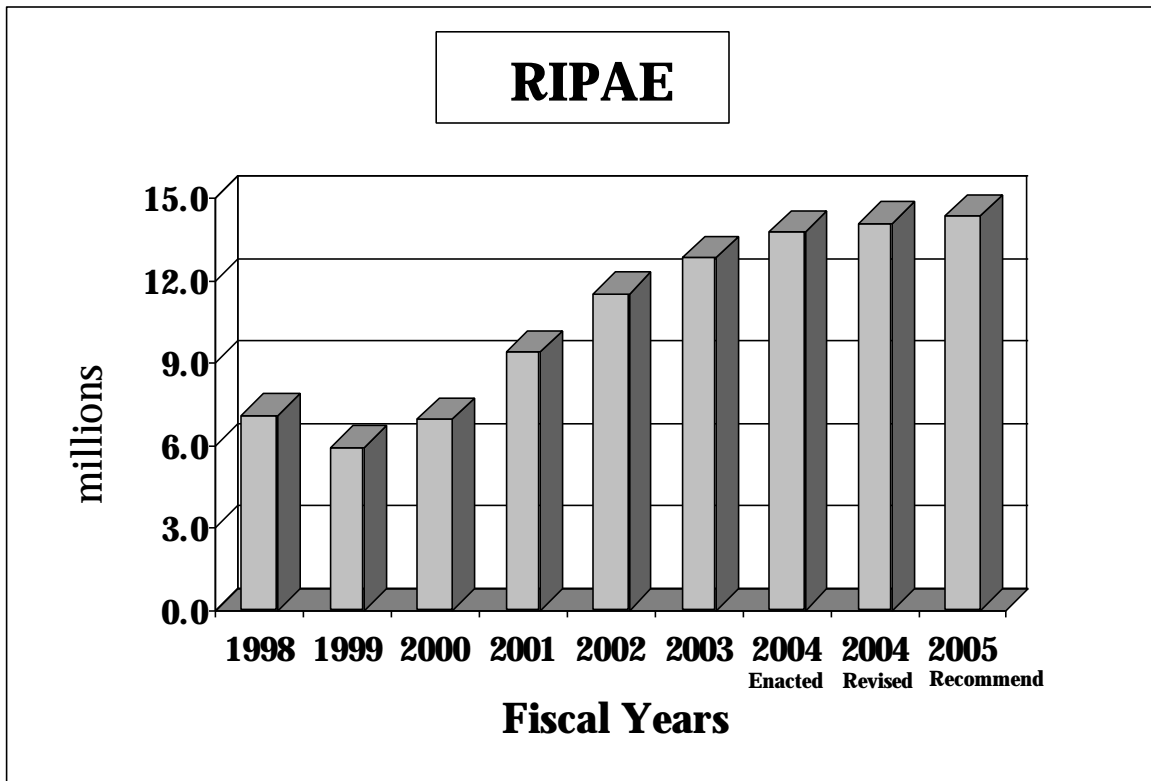


Human Services

Department of Elderly Affairs

The Governor recommends a revised budget for FY 2004 for the Department of Elderly Affairs of \$49.4 million. Expenditures are comprised of \$4.7 million in gas tax receipts, \$10,000 in foundation grant funding, \$29.5 million in general revenue, and \$15.1 million in federal funds. This revised funding level is an increase of \$7.1 million from the FY 2004 enacted budget, including a \$1.8 million increase in general revenue financing, \$10,000 increase in other funds, and a \$5.2 million increase in federal funds. The one-time, elevated, federal fund expenditure ceiling allows for encumbrance and expenditure of anticipated personnel and program costs associated with the Older American's Act recorded in the state fiscal year the for federal award year, which lags one quarter. Expenditures derived from gas tax funding remain unchanged from the enacted level. A new grant from the RAPP Foundation adds \$10,000 to restricted receipts in the FY 2004 supplemental budget only.

The general revenue increase in the Governor's FY 2004 recommendation is attributable to: an increase of \$800,000 in the transportation program based on reconfiguration of the service and maintenance contract with the provider; an increase of \$1.0 million in drug cost for the Rhode Island Pharmaceutical Assistance for the Elderly (RIPAE) program based on expected utilization requirements; and an increase of \$95,667 for the RIPAE program's administrator based on enrollee utilization requirements. The chart below illustrates RIPAE drug and management costs over the last several years, including FY 2004 and FY 2005 recommended amounts.



Human Services

For FY 2005, the Governor recommends total expenditures of \$46.4 million, consisting of \$4.8 million in gas tax receipts, \$29.2 million in general revenue and \$12.4 million in federal funds. The recommended budget is \$3.3 million, or 6.8 percent less than the FY 2004 revised budget. Of this amount, \$2.7 million is reduced from federal funds, to reflect alignment of federal awards with expected state fiscal year disbursements. In general revenue, a decrease of \$680,183 is attributable to FY 2005 current service growth of \$2.5 million for RIPAE program costs, which is reduced by two initiatives, one that saves \$387,462 from adding mail order prescriptions on a voluntary basis, and one that saves \$2.1 million by requiring client participation in the interim federal prescription benefit discount card program provided under the federal Medicare Act. The following table illustrates expected drug cost for the program, showing the effect of mail order and the card program on net drug cost:

	Drug Expenditure	Pharmaceutical Rebates	Net Program Costs
FY 04 Enacted/ Adopted	\$13,775,054	\$4,194,761	\$9,580,293
Growth FY04 and FY05	3,094,244	1,220,059	1,874,185
FY 05 Base	16,869,298	5,414,820	11,454,478
Mail Order Savings	(387,462)	0	(387,462)
Discount Drug Card	(2,137,319)	(679,050)	(1,458,269)
FY 05 Recommend	\$14,344,517	\$4,735,770	\$9,608,747

General revenue legislative grants are reduced by \$165,000 for community agencies, and other support to non-profit agencies is reduced by \$147,388. Total grant funding for community and non-profit agencies that assist the department in implementing its legislative mandates is recommended at \$3.0 million. Restricted receipt financing increases by \$70,000 over the FY 2004 recommended level, primarily reflecting the addition of \$80,000 to gas tax revenue. The Governor recommends FTE position ceilings of 52.6 in FY 2004 and 52.0 in FY 2005.

Department of Health

The Governor recommends total expenditures of \$120.2 million in the FY 2004 revised budget, including \$106,086 in other funds, \$34.1 million in general revenue, \$74.5 million in federal funds and \$11.5 million in restricted receipts. This represents an increase of \$11.2 million from the FY 2004 enacted budget. General revenue decreases by \$6,441 from the FY 2004 enacted budget. This change includes an increase in early intervention service benefits of \$447,109 due to caseloads, plus an increase of \$64,229 for the administration of the Certified Nursing Assistant examination. These increases are offset by reallocation of operating costs from general revenues to indirect cost recoveries of \$432,000, plus Blue Cross final settlement savings of \$46,021.

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Federal funds increase by \$10.3 million in the FY 2004 revised budget from the enacted level. The increased grant funds have been awarded in the areas of: Bioterrorism; Training, Communications, Hospitals Readiness, Preparedness Response, and Laboratories; Infants and Toddlers Disabilities; and Chronic Disease Control and Prevention. Federal funding for bioterrorism response is essential to completing the mission of the Department of Health and every effort is made to maximize this funding source. Restricted receipt funds increase by \$0.9 million from the enacted level. This is due to unexpended resources from FY 2003, coupled with increased billings for indirect cost recoveries for the administration of the department's federal grants.

For FY 2005, the Governor recommends total expenditures of \$114.7 million for the Department of Health. This includes \$98,979 from other funds, \$31.3 million from general revenue, \$71.8 million from federal funds, and \$11.5 million from restricted receipts. This level of funding is \$5.8 million, or 4.9 percent less than the level recommended by the Governor for FY 2004. This reduced funding level is due primarily to anticipated general revenue cost savings of \$2.8 million and anticipated reduced federal funding for bioterrorism of \$3.0 million in FY 2005, offset by increases in the Maternal and Child Health Block Grant.

The net reduction in costs financed by general revenues is due primarily to reassignment of costs to indirect cost recoveries of \$337,000, and a reduction of \$2.2 million for Early Intervention benefits. This savings reflects a recommended change in the program model which would mandate that every private insurer shall finance all treatment costs, without co-payments or deductibles, for all eligible services for its members, up to a limit of \$5,000 per year. This reassignment of program costs to insurers could be as great as \$3.7 million in FY 2005. The Governor also recommends reducing legislative grant funding by \$410,000 in FY 2005. The FY 2005 budget recommended by the Governor finances the department's current service costs within the constraint of statewide available resources and the need to maintain balanced budgets. The full time equivalent positions recommended for FY 2004 and FY 2005 are 502.9, unchanged from FY 2004 enacted levels.

Department of Human Services

The Governor recommends revised appropriations of \$1.543 billion for FY 2004, including \$631.2 million of general revenues, \$907.2 million of federal funds, and \$4.2 million of restricted receipts. This represents an increase of \$27.5 million, on an all funds basis, from the enacted budget. The revised budget for FY 2004 includes an increase of \$7.9 million in general revenue expenditures, an increase of \$21.9 million in federal funds, and a decrease of \$2.3 million in restricted and other funds. The largest increase is the addition of \$10.7 million for revised Medical Benefit expenditure estimates, adopted by the November 2003 caseload estimating conference (CEC), which includes \$6.7 million in general revenue funds. An additional \$13.4 million, including \$6.2 million general revenues is recommended for Medicaid initiatives generating enhanced gross revenues of \$13 million, for Slater Hospital at MHRH (\$10 million), RIPTA (\$1 million), and Local Education Authorities (\$2 million).

Cash assistance grants for FY 2004, pursuant to caseload conference estimates, increase by \$1.6 million from enacted appropriations. Additional federal resources of \$4.1 million, however, from the underexpenditure of prior year TANF and child care block grant, and from two TANF bonus performance awards, have been recognized, resulting in a net general revenue reduction of \$3.9 million for cash assistance caseloads. The largest components of change in adopted cash assistance caseloads are the addition of \$239,772 for the Supplemental Security Income (SSI) program, and the addition of

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\$1.4 million for child care benefits. Allocations for federal food stamp benefits are increased by \$1.0 million, to \$72.0 million, also reflecting caseload trends. This entitlement is totally financed from federal sources, and is not included in caseload conference estimates.

The revised FY 2004 budget proposal for general revenues includes the reappropriation of \$265,960 from FY 2003 appropriations for building repairs and for contractual costs related to federal Health Insurance Portability and Accountability Act mandates. It also includes the addition of \$733,749 for replacement funds for TANF Block grant penalties related to Child Support Enforcement audits. A reduction of \$500,000 from transfers of expanded categories of costs to enhanced Childrens' Insurance Grants is recognized, as are savings of \$866,441 from contracted efforts to increase Medicaid claiming, recoveries and settlements. The remaining changes for operational (non-entitlement) costs from general revenue total a reduction of \$610,750, and represent the recognition of savings from vacant positions, continuing department efforts to maximize federal cost allocations, and from increased allocations to restricted indirect cost recovery proceeds.

For FY 2005, the Governor recommends total expenditures of \$1.599 billion for the Department of Human Services. This total includes \$685.1 million from general revenue, \$909.2 million from federal funds, \$385,000 from Rhode Island Capital Plan funds, and \$4.2 million from restricted receipts. The agency budget continues to finance: cash and medical assistance programs at caseload conference consensus values; training and support services for family assistance programs; continued services to veterans, the blind and visually impaired, and other assisted populations. Seventy-three percent of the agency's expenditures are for medical benefits payments.

The Governor's budget recommendations for both FY 2004 and FY 2005 include full funding for the operation of the Rhode Island Veterans' Home and the Rhode Island Veterans' Cemetery, including \$3.7 million for capital improvements in FY 2004, and \$1.5 million in FY 2005.

In FY 2005, current payment standards are maintained for clients receiving cash payments under the Family Independence Program. After reaching a peak caseload of 64,000 persons in 1994, the number of persons receiving cash assistance continues to decline. The November 2003 consensus caseload conference estimated that 40,350 persons would receive Family Independence Program cash assistance in FY 2004, a 4.8 percent decline from FY 2003 experience, declining to 38,700 persons in FY 2005, a reduction of an additional 4.1 percent. This decline reflects the goal of supporting families and placing clients into unsubsidized employment. Correspondingly, continuing investments are required in childcare, medical assistance, education, and training and employment programs. Consensus caseload conference estimates project 13,815 subsidized childcare slots in FY 2004, an increase of 5.8 percent from FY 2003 actual experience, and 14,215 slots in FY 2005, an additional increase of 2.9 percent.

Consensus caseload conference estimates for cash assistance payments in FY 2005 increased by \$2.4 million compared to revised FY 2004 levels. This reflects savings of \$3.6 million from the reduction in FIP caseloads, offset by increased SSI estimates of \$1.2 million and increased estimates for child care slots of \$4.6 million.

The Governor's recommended FY 2005 Budget includes statutory revisions and reductions in general revenue funds of \$4.2 million from reducing the eligibility ceiling for child care subsidies from 225 percent of the federal poverty limit to two hundred percent, and \$2.5 million from redefining the market factors in payment schedules for child care providers. Expansion of the Front End Detection

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Unit with the addition of four staff positions is expected to reduce child care costs by \$2.8 million. An increase in client co-payments for child care reduces recommended appropriations by \$699,000. Statutory revisions proposed to the Family Independence Program would reduce general revenue cash assistance costs by \$4.1 million by imposing sanctions against continued benefits to families with parents in non-compliance with employment plans, establish income tax intercepts for overpayments saving \$302,000, and allowing voluntary settlements against future cash assistance awards, saving \$500,000.

The Supplemental Security Income (SSI) caseload historically has increased on a continuous basis. The adopted caseload conference estimates are 29,705 recipients in FY 2004, and 30,350 in FY 2005, and compare to actual cases of 28,088 in FY 2003. The 2.1 percent growth rate results from a continued growth in the disabled component and a slight decline in the state's elderly population. The General Public Assistance Bridge Program will be maintained in FY 2005, providing limited cash assistance to eligible persons and a medical program of restricted scope. The caseload conference estimate is 460 persons in FY 2004 and FY 2005.

Medical assistance programs are maintained in FY 2005. Exclusive of uncompensated care distributions, the November CEC adopted medical benefits for FY 2005 at a level \$88.5 million greater than for FY 2004, including \$68.0 million in general revenue funds; approximately \$35.5 million of the difference in general revenue funds recognizes the end of enhanced federal matching rates in FY 2004 only. The Governor recommends Medical Benefits appropriations, as adopted by the Caseload Estimating Conference, with the following revisions necessary to manage the growth in state costs:

- ? Reinstating uncompensated care payments to state and community hospitals as per current practice, requiring the addition of \$93.9 million, including \$41.9 million in general revenues. The current authorizing statutes expire annually; the conference did not adopt FY 2005 estimates. This item requires a statutory change, and is included as an article to the recommended Budget. The proposed plan and statute recognize additional federal uncompensated care grants of \$5.8 million; accessing the federal ceiling to its full value allows increased federal reimbursements to Slater Hospital at MHRH of \$6.1 million, compared to FY 2004 enacted levels. This level of reimbursement maximizes the use of federal uncompensated care ceilings at a level that allows payments to community hospitals at \$83.4 million, an increase of \$456,000 from FY 2004 payments.
- ? Saving of \$4.7 million, including \$2.1 million in general revenues, from enhanced capacity to perform quality reviews of Medicaid reimbursements, primarily to hospitals and nursing facilities. This capacity is available primarily from investments in federal Health Insurance Privacy and Accountability Act mandates now in place.
- ? Savings of \$843,000, including \$371,000 general revenues, from additional effort for hospital admission and retention reviews.
- ? Savings estimated at \$1.1 million from expansion of current initiatives to manage drug utilization in fee-for-service programs.
- ? Net savings of \$1.0 from eliminating six-month premium guarantees for clients exiting the managed care program, after adjusting for retention of pharmacy benefits in-plan by Rite Care providers.
- ? Savings of \$16.9 million, including \$9.4 million in general revenue, from a series of contracted initiatives to enhance client and third party recoveries in Medicaid programs, and to reduce overpayments for claims and for ineligible clients. Contract administration requires the addition of two FTE positions in FY 2005.

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- A decrease of \$4.0 million, including \$1.8 million general revenue, requiring a statutory change, from deferring for one year an expansion in reimbursements for nursing facilities to include fair rental value system in the reimbursement principles.
- An increase of \$5.9 million, including \$3.2 million in general revenue, to enhance reimbursements to RIPTA for bus passes for Rite Care clients.

Basic medical services, provided through the Rhode Island Medical Assistance Program, will continue for: families receiving SSI benefits; children in foster care; Medicare beneficiaries having limited income and resources; pregnant women, parents and children with low incomes including mothers and children denied federal assistance due to their immigration status; and, persons meeting the criteria for the Categorically Needy Program. An inflation adjustment for nursing home reimbursements for eligible clients is included in the recommendation, pending an actual value from the National Nursing Price Index in May 2004. Rhode Island's Medical Assistance Program will continue to provide services in all mandatory categories, as well as optional categories including dental, optometry, hospice, podiatry, ambulance and prescription services.

The Governor's proposed FY 2005 budget increases general revenue support for Veterans' Affairs by \$306,337 from FY 2004 revised levels, reflecting employee benefit rates and current staffing and operational levels at the Veterans' Home. Legislative grant appropriations are reduced by \$782,975. All other non-entitlement programs in the department increase by \$1.8 million, reflecting employee benefit rate changes of approximately \$406,000, plus staff additions for the Front End Detection and Medicaid recoveries initiatives requiring \$324,000, plus contracted services adding \$574,000 for the Medicaid recoveries initiative. An additional \$399,346 is required for inflationary increases to Medicaid administrative contractors. The recommended FTE ceiling is 1,058.6 for FY 2004 and 1,064.6 for FY 2005.

Department of Mental Health, Retardation and Hospitals

The Governor recommends total FY 2004 expenditures of \$455.4 million for the Department of Mental Health, Retardation and Hospitals, including \$214.9 million of general revenue, \$239.1 million in federal funds, \$1.4 million in other funds and \$75,000 in restricted receipts. General Revenue funds increase by \$5.3 million from the enacted level, and include the reappropriation of FY 2003 funds related to the Piravano Trust in the amount of \$52,498. The supplemental budget includes additions of \$731,915 for additional Medicaid eligible services in the Division of Integrated Mental Health, \$1.7 million for the Eleanor Slater Hospital to reflect unachieved ward closures programmed in the enacted budget, and savings of \$1.4 million from staffing vacancies.

Increased Central Power Plant and utility costs total \$4.4 million for several reasons. The most significant change relates to the cost of the fuel to operate the Power Plant and the temporary boilers and generators which have been required during FY 2004. Increases for fuel oil of \$1,404,382 and for natural gas of \$1,358,644 represent current market pricing and anticipated utilization. The revised FY 2004 budget does reflect savings in purchased electricity costs of \$239,998 and the Power Plant is anticipated to be operational for five months during FY 2004. The department does not expect to purchase significant amounts of electricity from the electric utility as a result. The department has continued to experience problems associated with the failure of existing equipment, which has resulted in the continued rental of temporary boilers and fuel tanks at a cost of \$426,082. The department is in the final stages of a major renovation of the Central Power Plant, financed by Certificates of

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Participation. The project was completed in January, 2004, at which time the Pastore Center Campus realized a reliable long-term source of steam and electricity to operate the campus. The newly renovated plant will be operated and maintained by a private contractor at an annual cost of \$1.8 million. The transition from operating the Power Plant with state employees to a private contractor will take place during February 2004.

The increase in Mental Health Services relates to an increase in demand for services during FY 2003, and a projection that the caseload will increase by approximately 3.3 percent in FY 2004. Most of the increase relates to outpatient services provided through the Community Mental Health Centers by Mobile Treatment Teams (MTT's). The MTT's are staffed by Mental Health Professionals and serve clients in a community setting, frequently in an individual's home or residence. The service is designed to deliver services quickly to an individual in need such that a crisis situation or a psychiatric hospitalization could be averted.

In the RICLAS system, the department continues to experience significant overtime costs. The revised FY 2004 budget reflects an increase of \$1.1 million for RICLAS personnel and overtime costs. This increase is financed from savings in the Private Community System, whose Medicaid expenditures were re-based given the savings achieved during FY 2003. There is virtually no change from the enacted budget for the Division of Developmental Disabilities, absent the reappropriation for the Piravano Trust.

In the Eleanor Slater Hospital System, the Governor recommends an addition of \$1,733,780 in general revenues, primarily from decisions concerning ward closures. The enacted budget reflected savings from the closure of one medical ward and one psychiatric ward. The patients on these wards would have been moved to community settings either in nursing homes or mental health group homes. The department has determined that this portion of their reduction plan was not feasible, and requested additional funds to support the existing patients in the hospital.

The Governor's FY 2005 recommendation totals \$462.5 million, including \$225.1 million of general revenues, \$232.5 million of federal funds, \$4.9 million of Rhode Island Capital Plan Funds and \$75,000 of restricted receipts. The general revenue portion of the budget reflects an increase of approximately \$10.2 million, or 4.8 percent, from the FY 2004 revised level. The net change from FY 2004 to FY 2005 reflects an addition of approximately \$11.0 million of general revenue Medicaid matching funds required to revert to reduced levels of Federal Medicaid match, upon expiration of enhanced federal rates in June, 2004. The Governor's general revenue recommendation includes \$1.5 million of growth, but does not reflect restrained growth of an estimated \$2.0 million in caseload funding for the Developmentally Disabled. The recommendation also reflects the elimination of some prevention, training, and advocacy-based funding in the Division of Mental Health Services, in addition to reducing the current rate structure for Mobile Treatment Teams. These two items have combined general revenue savings of \$1.2 million. Within the Division of Substance Abuse, the Governor recommends program reduction of the following: \$295,000 from the elimination of treatment costs for uninsured TASC clients, as these services will be provided under the general outpatient contract funds; \$420,000 in savings from re-procuring existing services by reducing the number of providers and the associated administrative overhead; \$310,666 in direct grant services including Detoxification Case Management, Problem Gambling, Prevention Services and Tobacco enforcement activities. Lastly, the recommendation for the Division of Substance Abuse reflects savings of \$246,660 by maximizing federal Medicaid match for existing Detoxification and Residential services. The FY 2005

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recommendation reflects changes in medical benefit costs, retirement rates and other related personnel adjustments.

The recommendation of the Governor provides for 2,021.7 FTE positions for FY 2004, and 1,999.7 FTE positions for FY 2005. The variance from FY 2004 to FY 2005 totals 22.0 FTE positions. One FTE position relates to a program reduction of a vacant Human Resource Coordinator position with the sub-program of Human Resources Management, in the Division of Hospital and Community System Support. The remaining 21.0 FTE positions relate to the transfer of the operation of the Central Power Plant to a private operator.

Within the Eleanor Slater Hospital, compliance with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), Medicare, Medicaid, and Department of Health requirements continue to be major priorities. The Eleanor Slater Hospital is surveyed by JCAHO every three years, with the most recent survey occurring in December of 2002. The Hospital scored 97 of a possible 100 points, and had no Type 1 deficiencies. Correspondingly, facility repairs, upgrades and campus-wide utility improvements are continuing. Funding for such projects is accomplished from a combination of sources including general revenue, Rhode Island Capital Plan Funds and Certificates of Participation. With respect to Rhode Island Capital Plan funds, the Governor recommends total expenditures of \$6.0 million. This level of funding will allow the department to continue repairs on the Pastore Center Campus to buildings, utility systems and water systems, to address environmental mandates, and to comply with new fire codes. RICAP funding is also available to develop new residential opportunities for individuals with developmental disabilities, and for repairs to Group Homes. This source of funding will replace bond funds which have historically been utilized for this purpose.

Within the Division of Developmental Disabilities, the department is continuing to pursue the CHOICES initiative. The initiative establishes individualized plans so that clients can exercise some freedom of choice in the location and type of supports which they will receive. The project is a collaboration with the Department of Human Services, and requires significant modifications to the state's Medicaid Management Information System.

As part of a plan to integrate MHRH service systems in order better serve clients with co-occurring disorders of Substance Abuse and Mental Health, the department is continuing to work toward a consolidated Behavioral Health Care Program. This program will help shape the future delivery of services to insure that clients with both mental health and substance abuse issues are diagnosed and treated appropriately.

Office of the Child Advocate

The Governor recommends total expenditures of \$559,889 for FY 2004. This consists of \$478,889 in general revenue, \$63,000 in federal funds, and \$18,000 in restricted receipts. The revised funding level is \$97,045 greater than the enacted level. This reflects an increase of Rhode Island Foundation restricted grant funds of \$18,000 to update and publish children guideline manuals, an increase of \$15,000 in available federal funds, and an increase of \$64,045 in general revenues for net personnel and operating adjustments.

For FY 2005, the Governor recommends total expenditures of \$555,340 including \$501,168 in general revenue and \$54,172 in federal funds. The Governor's recommendations fully fund the Office in both

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fiscal years. The Governor recommends 5.8 FTE positions for the Office of the Child Advocate in FY 2004 and FY 2005.

Commission on the Deaf and Hard of Hearing

The Governor recommends general revenue expenditures of \$269,183 in FY 2004, a \$15,831 decrease from the FY 2004 enacted level. One Staff Interpreter position, originally budgeted for FY 2004 is recommended for change to Interpreter Referral Specialist, to more accurately reflect the Commission's in-house provision of this service. Financing for three positions in FY 2004, and increases in operating to finance current services, is offset by a corresponding decrease to purchased services.

The Governor recommends total expenditures of \$272,198 in FY 2005 to fully finance current costs for the personnel and operating requirements of the Commission, including the full year cost of the Interpreter Referral Specialist. Other adjustments include minor decreases to operating expenditures based on historical review. The Commission is entirely funded by general revenue. The Governor recommends a total of 3.0 FTE positions in both fiscal years.

Rhode Island Developmental Disabilities Council

The Governor recommends revised FY 2004 expenditures of \$558,785, consisting entirely of federal funds. This recommendation is \$9,897 or 1.8 percent greater than the agency's FY 2004 enacted budget and consists primarily of an increase in grant expenditures for program planning, technical assistance, advocacy, and administrative support services.

For FY 2005, the Governor recommends total expenditures of \$570,511, consisting entirely of federal funds. This proposed level of funding is \$10,861 or 1.9 percent, greater than the FY 2004 revised recommendation. This net increase above the FY 2004 revised budget reflects current service cost adjustments for employee benefits and increased grant expenditures. The Governor's FTE ceiling recommendation is unchanged at 2.0 from the FY 2004 enacted ceiling for FY 2004 and FY 2005.

Governor's Commission on Disabilities

The Governor recommends revised expenditures of \$1,172,906 for FY 2004. This consists of \$541,217 in general revenue, \$88,286 in federal funds, \$43,403 in restricted receipts, and \$500,000 in Rhode Island Capital Plan funds. This revised funding level is \$59,382 less than the FY 2004 enacted level and consists of a general revenue increase of \$6,787, a federal funds decrease of \$58,754, and a restricted receipts decrease of \$7,415. The increased general revenue expenditures reflect additional funding of \$7,500 for contracted legal services and a decrease of \$713 related to the statewide Blue Cross settlement. The decrease in federal funding results from a delay in expenditures to FY 2005 for grants to municipalities for handicapped accessibility renovations at polling stations.

For FY 2005, the Governor recommends total expenditures of \$1,249,239, including \$533,865 in general revenue, \$180,208 in federal funds, \$35,166 in restricted receipts, and \$500,000 in Rhode Island Capital Plan funds. The recommended general revenue funding in FY 2005 is \$7,352 below the FY 2004 revised level. The Governor's recommended FTE ceiling for FY 2005 is unchanged from the FY 2004 revised level of 6.6.

Human Services

Rhode Island Commission for Human Rights

The Governor's revised FY 2004 budget totals \$1.3 million and consists of \$1.0 million in general revenue and \$233,041 in federal funds. This revised level of funding is \$104,558, or 9.0 percent, greater than the level enacted by the Legislature. It consists of an increase in general revenue of \$142,339 and a decrease of \$37,781 in federal funds.

The general revenue increase consists primarily of additional net state resources of \$116,557 used to finance the federal share of current service costs in FY 2004. Under this arrangement, federal resources realized in fiscal 2004 would then be applied to the general fund federal receivable balances from previous fiscal years until liquidation is achieved. The decrease in federal funds is primarily due to the expiration of the federal partnership grant with Rhode Island Legal Services under funding provided by the US Housing and Urban Development.

For FY 2005, the Governor recommends total expenditures of \$1.2 million, which is comprised of \$984,444 in general revenue and \$239,300 in federal funds. This level of funding is \$46,942, or 3.7 percent, less than the FY 2004 revised funding recommendation. The general revenue decrease of \$53,201 from FY 2004 revised levels reflects the one-time nature of the replacements for shortfalls in federal funds in FY 2004. The Governor recommends full time equivalent positions ceiling of 15.0 for FY 2004 and FY 2005, unchanged from FY 2004 enacted ceilings.

Office of the Mental Health Advocate

The Governor recommends total FY 2004 general revenue expenditures of \$317,067, reflecting a reduction of \$589 from the enacted level. The net reduction is attributable to savings for the Statewide Blue Cross settlement. The recommendation also reflects an increase of \$4,281 for personnel costs, offset by reductions to legal services, buildings and grounds maintenance services, and other operating expenses.

The Governor recommends total FY 2005 general revenue expenditures of \$331,668, reflecting full funding agency current services. The Governor recommends a total of 3.7 FTE positions for this agency for FY 2004 and FY 2005.

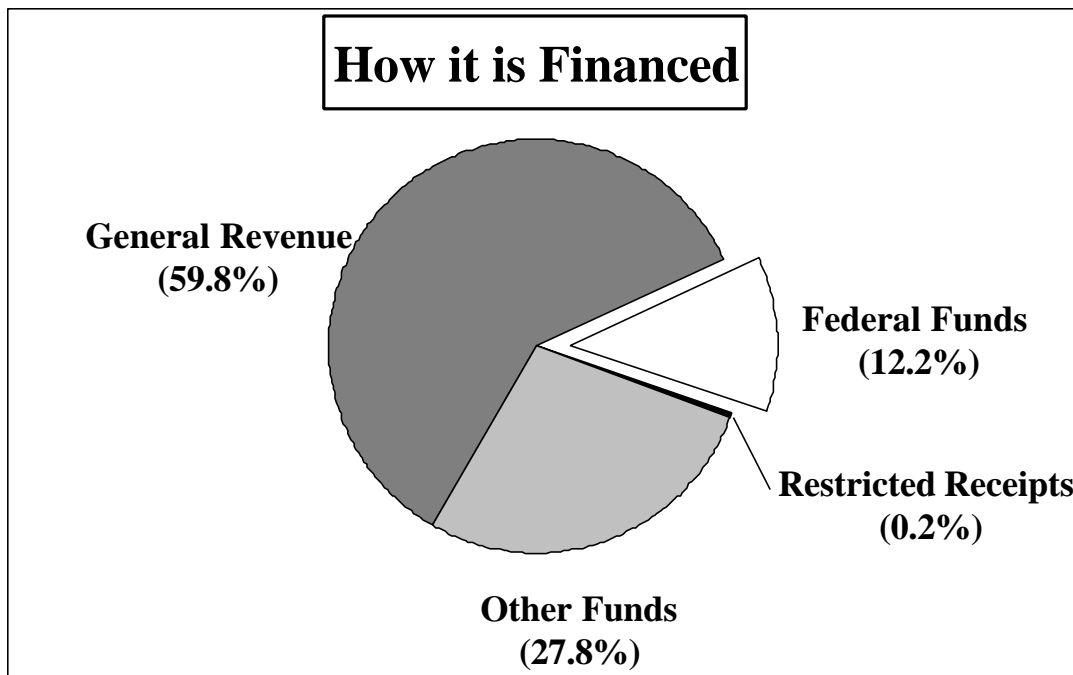
Education

Education

Summary

The Education function of state government includes services provided by the Department of Elementary and Secondary Education, Public Higher Education, the Rhode Island State Council on the Arts, the Rhode Island Atomic Energy Commission, the Rhode Island Higher Education Assistance Authority, the Historical Preservation and Heritage Commission, and the Rhode Island Public Telecommunications Authority. The Governor recommends 4,255.1 FTE positions in FY 2004 and 4,326.8 FTE positions in FY 2005 within the Education function.

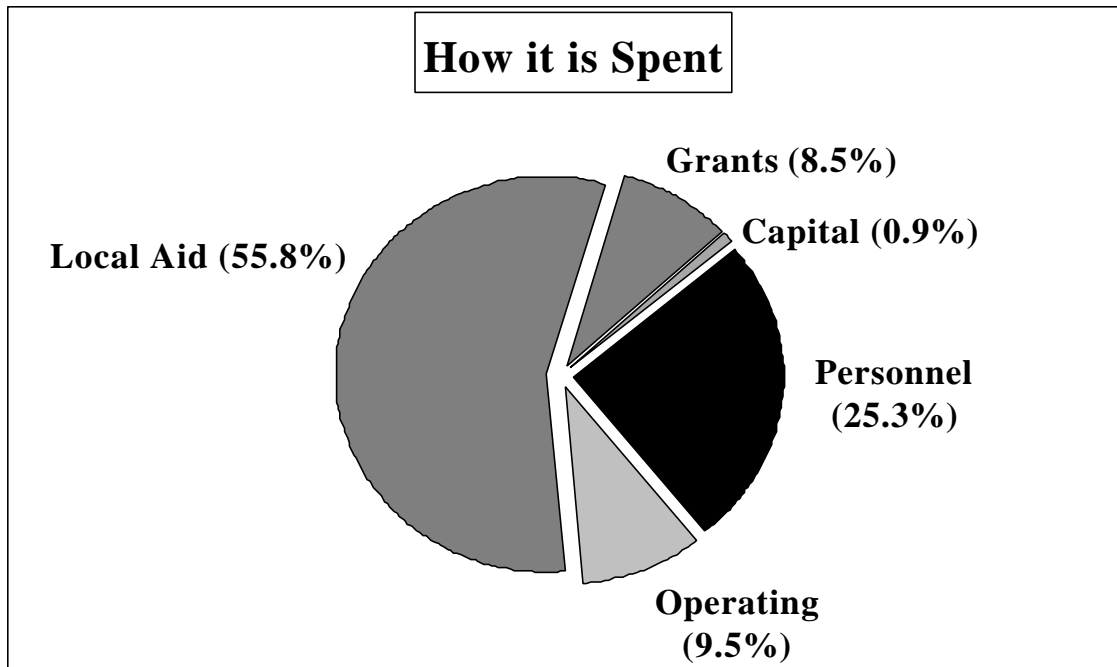
Two boards govern the major part of Education activities in Rhode Island. The Board of Regents, with the advice of the Commissioner of Education, establishes policy with respect to the operations of the Department of Elementary and Secondary Education, state education aid programs, the Central Falls School District, and the three state schools: the School for the Deaf, the Davies Career and Technical School, the Metropolitan Career and Technical School. The Board of Governors for Higher Education, with the advice of the Commissioner of Higher Education, establishes policy with respect to operations at the three state institutions of higher education.



The Governor recommends total expenditures of \$1.635 billion for Education in FY 2005, including \$978.2 million from general revenue, \$199.6 million from federal funds, \$3.3 million from restricted receipts, and \$454.0 million from other funds.

In the Education function of state government, other funds consist of: Rhode Island Capital Plan Funds, Institutional Revenues, Sponsored Research Programs, Scholarships and Fellowships, Auxiliary Enterprises in Public Higher Education, and the Corporation for Public Broadcasting grant to the Rhode Island Telecommunications Authority.

Education



The Governor's general revenue recommendation of \$978.2 million for Education for FY 2005 includes an increase of \$12.6 million in general revenues from FY 2004 revised levels, or an increase of 1.3 percent. The recommendation includes increased general revenue financing for Public Higher Education that is 1.4 percent above the Governor's FY 2004 revised budget, and for Elementary and Secondary Education that is also 1.4 percent above the revised level. The Higher Education increase reflects funding of \$2.8 million for the opening of the CCRI Newport campus and the CCRI Providence campus expansion on FY 2005. Tuition increases of approximately 11.5%, 9.7%, and 12.0% at URI, RIC, and CCRI would provide funding for growth in costs at each institution. Elementary and Secondary Education includes level funding of local education aid, including Public Charter Schools and the three state schools: the School for the Deaf, the Davies Career and Technical School, the Metropolitan Career and Technical School. Aid to Local Units of Government accounts for 55.8 percent of all education expenditures. State operations expenditures, which include personnel and operating, account for 34.7 percent of total education expenditures. Most of these expenditures occur in Public Higher Education. The remaining 9.5 percent of expenditures occur in grants and benefits and capital outlays.

Education

Elementary and Secondary Education

The Governor recommends \$972.3 million in revised expenditures from all funds for the Department of Elementary and Secondary Education for FY 2004. Of this total, \$777.2 million is general revenue expenditures, \$191.4 million is federal grants, \$1.6 million is restricted receipt funds, and \$2.1 million is other fund expenditures. This represents an increase to the enacted FY 2004 budget of \$25.5 million in all funds. General revenue expenditures increase by \$604,439, federal expenditures increase by \$23.2 million, restricted receipt expenditures increase by \$441,121, and other fund expenditures increase by \$1.3 million.

The Governor's revised FY 2004 budget includes four changes in general revenues that account for the majority of the total increase: State retirement contributions for teachers increase by \$763,774, reflecting an update of the teacher payroll base; School Construction Aid decreases by \$113,077, reflecting updated information, including the impact of local bond refunding; Charter School financing has been updated for accurate enrollment data, including the new Beacon School in Woonsocket, increasing the FY 2004 cost by \$233,168; and, reallocation of the Driver's Education program to Higher Education decreases FY 2004 by \$357,640. The increase in federal funds represents larger carry-forward balances from FY 2003 plus significant new federal investments in education for disadvantaged children, students with disabilities programs, teacher preparation programs, and additional standards for the "No Child Left Behind" federal agenda.

The Governor recommends \$978.9 million in expenditures from all funds for the Department of Elementary and Secondary Education in FY 2005. Of this total, \$788.7 million is from general revenue, \$187.2 million is from federal funds, \$2.9 million is restricted receipts, and \$110,408 is from other funds. This financing level represents an increase in general revenue expenditures of \$11.5 million from the revised FY 2004 level, a decrease of \$4.2 million in federal expenditures, an increase of \$1.3 million in restricted expenditures, and a decrease of \$2.0 million in other fund expenditures. All forms of state support for local education increase \$11.1 million. This includes teacher retirement cost increases of \$6.4 million and School Construction funding increases of \$4.1 million.

Education aid to local government totals \$667.1 million in general revenue funds for FY 2005, including \$36.0 million for Central Falls, a fully state-supported school district, and support of Charter Schools and other state operated schools. This is the same level of education aid as in FY 2004 when support of state operated schools is included. FY 2004 enacted levels of local education aid increased approximately \$15 million compared to FY 2003 appropriations. Support at this level was possible due to the one-time infusion of unrestricted federal funds pursuant to the federal Fiscal Relief Act of 2003. This assistance is not recurring. There has been, however, continuous growth in costs relating to the support of teacher pensions, school construction, and charter schools. All of these programs are fully supported in this budget increased general revenues for education aid relate to the support of enrollment growth of over 500 students in charter schools, support of state operated schools, increases in full-day kindergarten and in group home student support. These categories add \$7.9 million to education aid above the FY 2004 level. Total aid paid directly to school districts declines \$7.9 million from \$637.6 million to \$629.7 million. The apportionment of this reduction is based upon the allocations enacted in FY 2004.

Charter School support increases \$5.7 million as the Governor's budget fully supports over 2,400 students attending eleven Charter Schools. The Governor also recommends a \$2.1 million increase for the Metropolitan Career and Technical School. Located in Providence, this innovative secondary school is designed to prepare Rhode Island's students for the challenges of the 21st century. The school's programs are housed at the Shepard Building downtown, in the West End of Providence, and at a new campus in

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South Providence. Additional funding for the Metropolitan Career and Technical School provides for increased enrollment at the school of approximately 180 students.

The Governor also recommends three special initiatives focused at improving educational performance in the state. First, an additional amount of \$1,000,000 for progressive support and intervention, targeted to improving urban high schools has been included. Second, \$400,000 has been provided to strengthen the state's capacity to support local mathematics improvement strategies. Third, \$400,000 is recommended to establish a "principal leadership" program which will support mentoring future principals through a fellows program and will encourage strengthened leadership at our low performing schools.

The Davies Career and Technical school budget is recommended at \$11.6 million, or \$402,085 more than FY 2004 revised levels, a 3.6 percent increase. The School for the Deaf budget is recommended at \$5.5 million, or \$302,254 less than the FY 2004 revised level. The reduction reflects the transfer of the vision services program to Rhode Island College's Sherlock Center and includes an additional \$100,000 for program coordination. The net programmatic change for the School for the Deaf is an increase in the FY 2005 recommendation of \$90,121 over FY 2004, a 1.7 percent increase.

For FY 2005, teacher retirement obligations total \$52.6 million, an increase of \$6.4 million from revised levels. This reflects projected increases in the teacher payroll base and an increase in the employer contribution rate from 13.72 to 14.84 percent. Retired teacher health subsidy costs are reflected in the Department of Administration budget.

The Governor recommends school construction aid for FY 2005 of \$44.7 million. This represents an increase from the revised FY 2004 level of \$4.1 million. School construction costs in FY 1998 totaled \$19.7 million. In the years since, these costs have increased \$25.0 million, or over 127 percent.

The Governor recommends \$15.0 million in general revenue for the agency's administration program. This is an increase of \$360,149 from the FY 2004 revised level recommended by the Governor. The recommendation constrains personnel spending, reduces grant expenditures, reflects transfer of property the vocational schools currently operate to local school districts, and continues financing for I-Plans of \$700,000. Reductions of ten percent in legislative grants total \$346,475 in FY 2005.

The Governor recommends 326.7 FTE positions in FY 2004 and 321.1 in FY 2005. The reduced FTE authorization reflects the transfer of vision services program positions to Higher Education.

Public Higher Education

The Governor recommends total expenditures of \$602.0 million for Public Higher Education in the FY 2004 revised budget, of which \$172.1 million is general revenue, \$3.0 million is federal funds, and \$426.9 million is from other funds. This represents an increase from enacted levels of \$15.7 million, including tuition and fees of \$6.5 million, student aid of \$4.0 million, and prior year capital plan funds of \$3.8 million in other funds, and a net decrease of \$27,130 for medical benefits and one reallocated legislative grant in general revenue. The Governor's recommendation for FY 2004 includes 3,472.1 FTE positions, the enacted authorization.

For FY 2005, the Governor recommends total expenditures of \$623.6 million for Public Higher Education, including \$174.5 million in general revenue, \$2.8 million in federal funds, and \$446.2 million in other funds. Other fund sources include tuition and fee revenues, which are projected to grow by \$18.2 million, or 9.3 percent. General revenues increase by \$2.4 million from revised FY 2004 levels and

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include additions of \$2.8 million for the opening of the Newport Campus and the expansion of the Providence Campus of the Community College, savings of \$698,092 for a statewide Fiscal Fitness purchasing initiative, and an increase of \$325,374 for personnel current services.

The budget proposed by the Governor includes level funding in state support to finance current services. Tuition revenues grow by \$5.0 million from tuition rate increases of approximately 11.5 percent at the University, 9.7 percent at the College, and 12.0 percent at the Community College (The average national tuition increase in FY 2004 was fourteen percent). Pursuant to current law, both the FY 2004 revised budget recommendation and the FY 2005 recommended budget include debt service expenditures within the Department of Administration benefiting Public Higher Education. In FY 2004, debt service of \$12.1 million is recommended and in FY 2005, \$13.7 million is included, an increase of \$1.6 million. Recognizing increased debt service costs recorded in the Department of Administration, state financed expenditures in FY 2005 for Higher Education increase by a total of \$3.3 million, or 1.8 percent, compared to FY 2004 levels.

For FY 2005, the Governor recommends 3,542.7 FTE positions. This represents an increase of 70.6 positions from the FY 2004 revised level. The transfer of the Vision Impaired Program to the Sherlock Center at Rhode Island College from the Rhode Island School for the Deaf adds 6.6 FTE positions. Opening of the Newport Campus of the Community college requires fifty new positions, while expanding the Providence Campus of the Community College accounts for eleven new positions. Expansion of the Pharmacy Program at the University, because of a nationwide Ph.D degree requirement, includes three new positions.

The Children's Crusade continues to provide quality educational enrichment programs and scholarship assistance to disadvantaged youths during their elementary and secondary school years, using a combination of public and private funds. Continuing federal grant awards will provide funds for an early awareness for college study at \$2.3 million in FY 2004 and at \$2.5 million in FY 2005. The Governor recommends general revenue support for the Rhode Island Children's Crusade at \$1.7 million for FY 2004 and at \$1.6 million for 2005.

Rhode Island Council on the Arts

The Governor's revised FY 2004 budget for the Rhode Island Council on the Arts is \$3.1 million, including \$2.3 million in general revenue, \$610,962 in federal funds, and \$200,000 in restricted receipts. The recommendation reflects a reduction of \$13,812 to general revenue appropriations, and a reduction of \$85,044 for federal grant awards. General revenue appropriations for a legislative grant to First Night are reduced \$8,000 due to suspension of the 2004 event.

For FY 2005, the Governor recommends \$2.9 million, including \$2.0 million in general revenue, \$680,500 of federal funds, and \$200,000 in restricted receipts. The general revenue reduction of \$328,377 from the revised FY 2004 budget includes elimination of a \$300,000 annual grant to Waterfire, and reduction of \$29,746, to a new total of \$786,103 for discretionary grants in support of the arts. Staffing authorizations are unchanged in each year at 7.0 FTE positions.

Rhode Island Atomic Energy Commission

The Governor recommends total expenditures of \$1.2 million in FY 2004 consisting of \$702,450 in general revenue expenditures, \$325,00 in federal funds, and \$152,333 in other funds. This total is \$55,145 greater than enacted levels, and primarily reflects a general revenue increase of \$56,438 to fully

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finance current staff for the Commission.

For FY 2005, the Governor recommends total expenditures of \$1.3 million. This is comprised of \$727,045 in general revenue, \$325,000 in federal funds, and \$212,168 in other funds. The increase of \$24,595 in general revenue from FY 2004 levels recognizes reduced vacancy savings, plus operating savings, and increases for employee benefit rates. The Governor recommends 8.6 FTE positions in FY 2004 and FY 2005.

The Rhode Island Atomic Energy Commission (RIAEC) will continue to operate the state-of-the-art reactor at the Rhode Island Nuclear Science Center (RINSC) for the purposes of research, education and training, and environmental monitoring. Moreover, the staff of the RINSC will continue to provide technical assistance to other state agencies, including the Rhode Island Department of Health and the University of Rhode Island. The Governor's budget will enable the Commission to explore additional commercial uses for the RINSC, including new technology involved in cancer research.

Rhode Island Higher Education Assistance Authority

The Governor recommends revised expenditures of \$23.7 million in FY 2004 including \$11.1 million in general revenue, \$7.3 million in federal grants, and \$5.3 million in other funds. The recommendation includes an increase of \$1.3 million in other funds from FY 2004 enacted levels for Tuition Savings Program scholarships.

For FY 2005, the Governor recommends total funding of \$23.4 million, including general revenue of \$10.0 million, federal funds of \$8.0 million, and \$5.4 million in other funds. This recommendation includes a \$1.1 million decrease in general revenue from the revised FY 2004 level, with an attendant increase in other funds. The Governor's recommendation increases scholarships from other funds by \$1.3 million to a total of \$4.5 million. Total all funds for scholarships is \$13.8 million, an increase of \$300,000 from FY 2004 enacted levels. These funds are derived from provisions in the contract with Alliance Capital, which manages the Rhode Island 529 Tuition Savings Plan. The Plan, which is marketed nationally, has experienced continuous expansion, with attendant earnings to direct to Rhode Island scholarships. The recommendation fully funds federal maintenance of effort to qualify for incentive and supplemental scholarships for students.

The Governor recommends 45.6 FTE positions in FY 2004 and 46.0 FTE positions in FY 2005.

Historical Preservation and Heritage Commission

The Governor recommends revised total expenditures of \$1.9 million in FY 2004 for the Rhode Island Historical Preservation and Heritage Commission. The total consists of \$1.1 million in general revenue, \$522,827 in federal funds, and \$273,892 in restricted receipts. The total revised recommendation is \$26,109 greater than the FY 2004 enacted total and includes the addition of \$15,724 in general revenue, a reduction of \$11,707 in federal funds and the addition of \$22,092 to restricted receipts. The adjustments are attributable in part to current service financing of existing personnel in general revenue accounts due to unavailability of non-general revenue resources. At Eisenhower House, building and ground maintenance costs are reduced by \$17,343 to \$13,439, to reflect required expenditure for this service, and other repairs increase from \$27,500 to \$55,502 from reappropriations for installation of a new heating system to be completed in FY 2004.

For FY 2005, the Governor recommends total expenditures of \$1.9 million, of which \$1.1 million is

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general revenue, \$592,746 is federal funds, and \$206,800 is restricted receipts. This represents a total reduction of \$19,230 from the FY 2004 revised level, including a decrease of \$22,057 in general revenue, an increase of \$69,919 in federal financing and a decrease of \$67,092 in restricted receipt financing. Federal resources can replace offsets to decreased restricted receipt resources available from the commission's historical loan program. The Governor recommends 17.6 FTE positions in both FY 2004 and FY 2005.

Rhode Island Public Telecommunications Authority

The Governor recommends total expenditures of \$4.6 million for the revised FY 2004 budget for the Public Telecommunications Authority. This consists of \$663,122 in grant financing from the Corporation for Public Broadcasting, \$555,601 in federal financing, state general revenue financing of \$1.2 million, and Rhode Island Capital Plan financing of \$2.1 million. The recommendation reflects an increase of \$48,865 in general revenue expenditures, including the reappropriation of general revenue from FY 2003 of \$55,838 for closed captioning and towers lease costs. Corporation for Public Broadcasting expenditures decrease by \$28,127, and Rhode Island Capital Plan funds decrease by \$160,000 to \$2.1 million, reflecting deferral of project costs to FY 2005.

For FY 2005, the Governor recommends total financing of \$3.3 million, including \$1.2 million in general revenue, \$749,428 from the Corporation for Public Broadcasting, and \$1.4 million from RICAP funds. Compared to FY 2004 revised levels, this represents a \$6,913 decrease in general revenue financing, a decrease of \$555,601 in federal funds, and a decrease of \$780,000 in Rhode Island Capital Plan financing for FY 2005. An increase in the Corporation for Public Broadcasting financing of \$86,306 is also reflected. The Governor recommends 22.0 FTE positions in FY 2004 and FY 2005.

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Public Safety

Public Safety

Summary

The quality of life in Rhode Island is enhanced through the administration of a public safety system that provides law enforcement, adjudicates justice, protects life and property, and handles emergencies impacting Rhode Island's citizens. The twelve agencies that expend 5.9 percent of the total (all-funds) FY 2005 State Budget to provide public safety services to the state include the following: the Department of Corrections; the court system (Attorney General; the Judiciary; Office of the Public Defender; and Commission on Judicial Tenure and Discipline); the homeland security system (Military Staff, including both the National Guard and the Emergency Management Agency, and the E-911 Emergency Telephone System); the Rhode Island Justice Commission; and public safety agencies (State Police; Fire Safety Code Board of Appeal and Review; State Fire Marshal; and Municipal Police Training Academy). The Marshals, previously part of the Department of Corrections, and the Sheriff's of Several Counties have been transferred to the General Government function and are now part of the Department of Administration. The FTE recommendation for the FY 2004 revised budget is 2,983.8. The FTE recommendation for FY 2005 increases by 82.0 to 3,065.8.

The largest share of funding within the Public Safety function is for the Department of Corrections, representing 46.5 percent of the total. Because the Adult Correctional Institutions, which include eight secure facilities, operate twenty-four hours per day, the department must provide continuous supervision of approximately 3,600 inmates. Additionally, the Community Corrections subprogram supervises 35,000 community-based offenders per year. The second largest share is for the courts system, at 30.5 percent of the total. This includes 22.9 percent of expenditures for the Judiciary, supporting six courts statewide. The Attorney General, the Office of Public Defender, and the Commission on Judicial Tenure & Discipline comprise the remaining 7.6 percent. The State Police account for 13.4 percent of Public Safety funds. The Military Staff, comprised of both the National Guard and the Emergency Management Agency, spends 5.4 percent of Public Safety funds. The other five public safety agencies receive the remaining 4.2 percent of the funding in this function.

The Governor recommends a FY 2004 revised budget of \$379.98 million (all funds). \$285.6 million of the total budget is general revenue, 1.5 percent greater than enacted levels. There is a \$5.4 million increase in personnel costs for salaries, retirement (including increased pension costs in the State Police) medical benefits, and other fringe benefits for correctional officers, state police, judicial employees and administrative support personnel. This is offset by reductions in operating (\$620,000) and grants (\$580,000) expenditures. Most of the \$4.3 million increase is budgeted in the Department of Corrections. The Budget office estimate of inmate population has increased by 100 from the enacted level. Because of this and other concerns, the Governor recommends additional funds for custodial and supervisory overtime, expenditures, prescription drugs, medical contractors, and inpatient and outpatient services. Additional general revenue funding offsets the loss of restricted funds due to the decline in federal immigration and U.S. Marshals detainees housed in Rhode Island. The Department of Corrections and the Office of the Public Defender will also implement an expanded video arraignment program at the Intake Service Center to process all Providence Court arraignments in-house, in order to reduce the length of pre-trial custody and improve prisoner handling efficiency. The Governor also recommends additional funding for the Sex Offender Community Notification program.

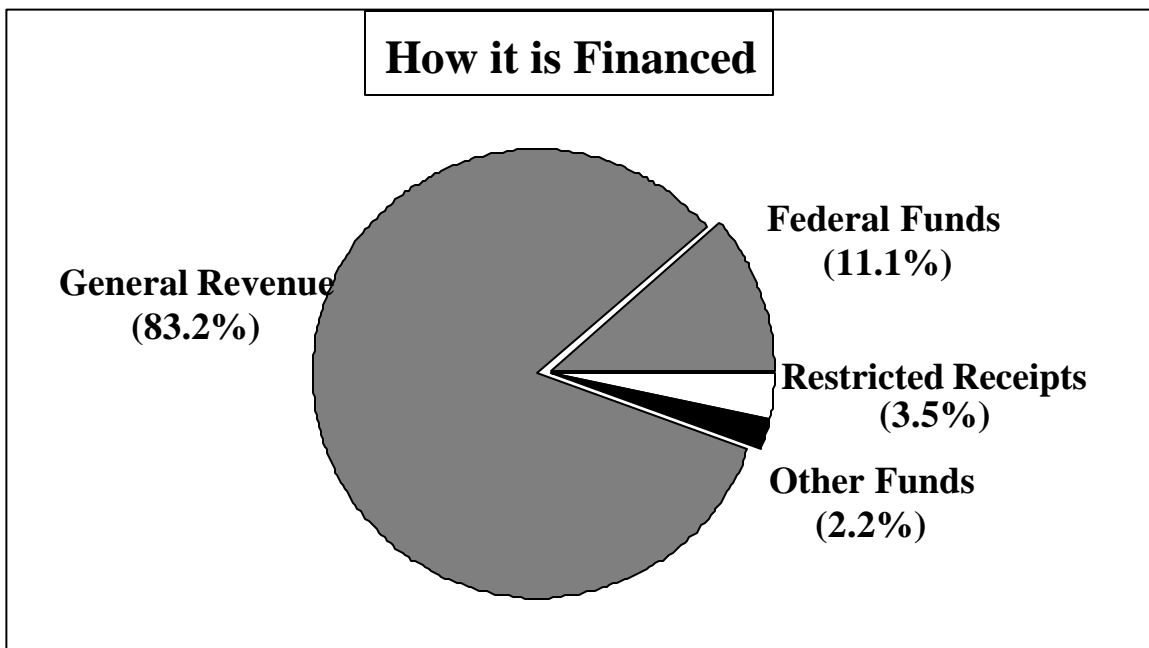
\$74.5 million is recommended in federal funds in FY 2004. This is a \$17.3 million increase from enacted levels, and is due primarily to homeland security grants including supplemental grants (Emergency Operating Center assessment, volunteer training by the R.I. Emergency Management Agency in the

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Military Staff) as well a substantial grant award for first responder equipment, facilities inspections and terrorism preparedness training. Total federal grants in the R.I. Justice Commission increase by \$202,476. Increased federal funds are budgeted for Truancy Outreach and Drug Court, and new federal grant awards include the Criminal History Improvement Project, Domestic Violence Prevention program, and a Re-entry Court for the Children's Assistance Compass program in the Judiciary. The Attorney General will spend an additional \$861,000 on the National Criminal History Identification project, new Byrne grants for the Station Fire and for computer improvements, and the Community Prosecutor program. The State Police received additional federal funds for drug enforcement and motor carrier safety.

In FY 2005, the Governor recommends an all-funds budget of \$348.8 million for public safety programs. Of this amount, \$290.1 million is from general revenue, \$38.9 million is from federal funds, \$12.1 million is from restricted receipts, and \$7.7 million is from other funds. The FY 2005 general revenue budget increases by \$4.5 million, or 1.6 percent, from the FY 2004 revised level. There is a \$5.2 million increase in personnel expenditures. In addition to inmate population related increases in overtime, per capita operating, prescription drug, and medical contract costs, the Governor's recommended FY 2005 budget for Public Safety includes financing the last of four retroactive compensation payments to correctional union members in the Department of Corrections. The Department also adds funds for drug treatment, startup personnel for the Reintegration Center, and a new correctional officer class. State Police adds funds for pension costs and for a new state trooper class. The Governor recommends \$100,000 in the Rhode Island Justice Commission to finance additional racial profiling studies investigating state and local police behavior. The increase in personnel is offset by a \$1.3 million decrease in general revenue operating expenditures.

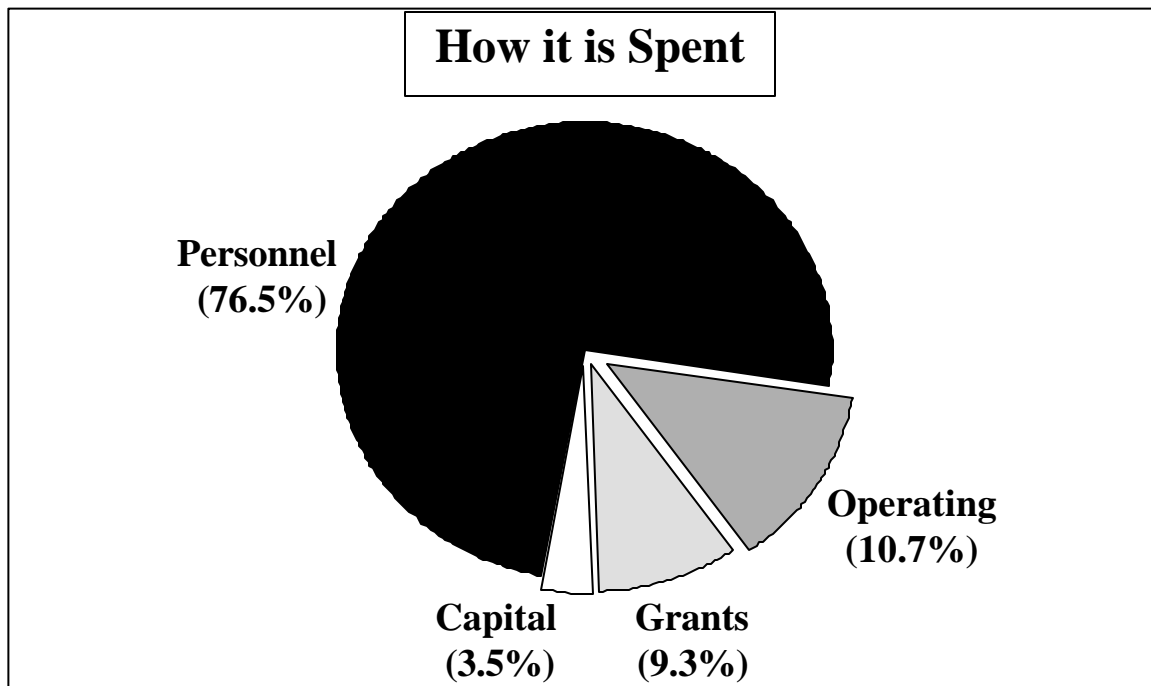
Federal funds in FY 2005 decrease by \$35.7 million, or 47.8 percent, from the FY 2004 revised level, due primarily to the completion of projects relating to homeland security. The Governor recommends continued expenditure of federal funds to complete additional projects related to homeland security, as well as \$4.3 million for first responder equipment and homeland security items. Federal fund decreases in the State Police and Judiciary result from completion or rescheduling of program expenditure.



Public Safety

Funding for the Public Safety function is derived mainly from state sources. 83.2 percent is general revenue and 2.2 percent is other funds (primarily Rhode Island Capital Plan funds for construction, repair and rehabilitation projects for Corrections, Military Staff, Judiciary, and State Police facilities). 11.1 percent is in federal funds, reflecting primarily homeland security expenditures, National Guard Bureau funding, federal funding for incarceration of undocumented aliens and a new Reintegration Center at Corrections, and Rhode Island Justice Commission grants. 3.5 percent is restricted receipts (payments from the federal government for federal correctional detainees, the Worker's Compensation Court, and the E-911 GIS and Technology Fund).

State operations, including personnel (76.5 percent, \$266.9 million) and other operating costs (10.7 percent, \$37.3 million), total \$304.3 million, or 87.2 percent of total expenditures. Assistance, grants and benefits are \$32.3 million or 9.3 percent. Capital improvement projects, \$12.2 million for 3.5 percent, include Rhode Island Capital Plan and general revenue funding.



Public Safety

Attorney General

The Governor recommends revised appropriations for the Attorney General of \$19.4 million in FY 2004, including \$16.4 million from general revenue, \$2.3 million from federal funds, and \$708,350 from restricted receipts. General revenue funding is \$166,301 below the enacted budget. This decrease is primarily comprised of decreases in personnel within all four programs offset by an increase of \$151,823 in the newly created Station Fire account to finance related personnel and operating expenditures. The Governor recommends a staffing level of 228.5 FTE positions.

For FY 2005, the Governor recommends total expenditures of \$19.3 million. Of this amount, \$16.5 million is financed from general revenue, \$2.1 million is from federal funding, and \$717,025 is from restricted receipts. The recommended total is 0.7 percent less than the FY 2004 revised budget of \$19.4 million. The decrease is primarily due to reduced federal funds. The Governor recommends a staffing level of 228.5 FTE positions.

Department of Corrections

For the FY 2004 revised budget, the Governor recommends total expenditures of \$161.5 million. This includes \$146.1 million in general revenue, \$8.3 million in federal funds, \$5.0 million in other funds, and \$2.1 million from restricted receipts. The FY 2004 revised general revenue budget is \$5.97 million greater than the enacted level, or 4.3 percent.

Because the number of federal detainees being held in state facilities is expected to be less than the enacted level, the requirement for a general revenue increase to offset the loss of restricted revenue is \$630,000. Since the total inmate population for the FY 2004 is expected to be well above the enacted budgeted level, payroll and overtime expenditures increase by \$1.2 million due to reopening of two modules closed to conform with the lower enacted census, as well as increased medical related overtime in nursing care and inpatient hospitalizations requiring one-on-one custodial monitoring. This is offset by a reduction in per capita operating expenditures of \$759,593 due to significant savings in food purchase. The revised general revenue budget includes \$3.8 million for a retroactive payment to the Rhode Island Brotherhood of Correctional Officers (RIBCO). Additionally, overtime resulting from attrition, military leave, and an arbitrator's decision will require additional funding of \$4.0 million. Medical costs due to an increased incidence of serious in-patient procedures, and to drug costs, will increase by \$1.3 million over the budgeted level. Included are contract services for physicians, nurses and other medical services that are estimated to increase by \$502,197, various inpatient and outpatient services and supplies (\$760,564), dental providers (\$79,325), psychiatric providers (\$121,522), and medicines and drugs (\$149,520). The Governor recommends continued expenditure for equipment and 3.0 FTE positions to operate an expanded video arraignment program to include all Providence Court arraignments, including the Sixth District Court. The augmented resources should reduce the length of pretrial custody and improve both security and efficiency in the handling of inmates. The Governor also recommends full funding for modifications of the Sex Offender Community Notification unit, including an additional investigator position.

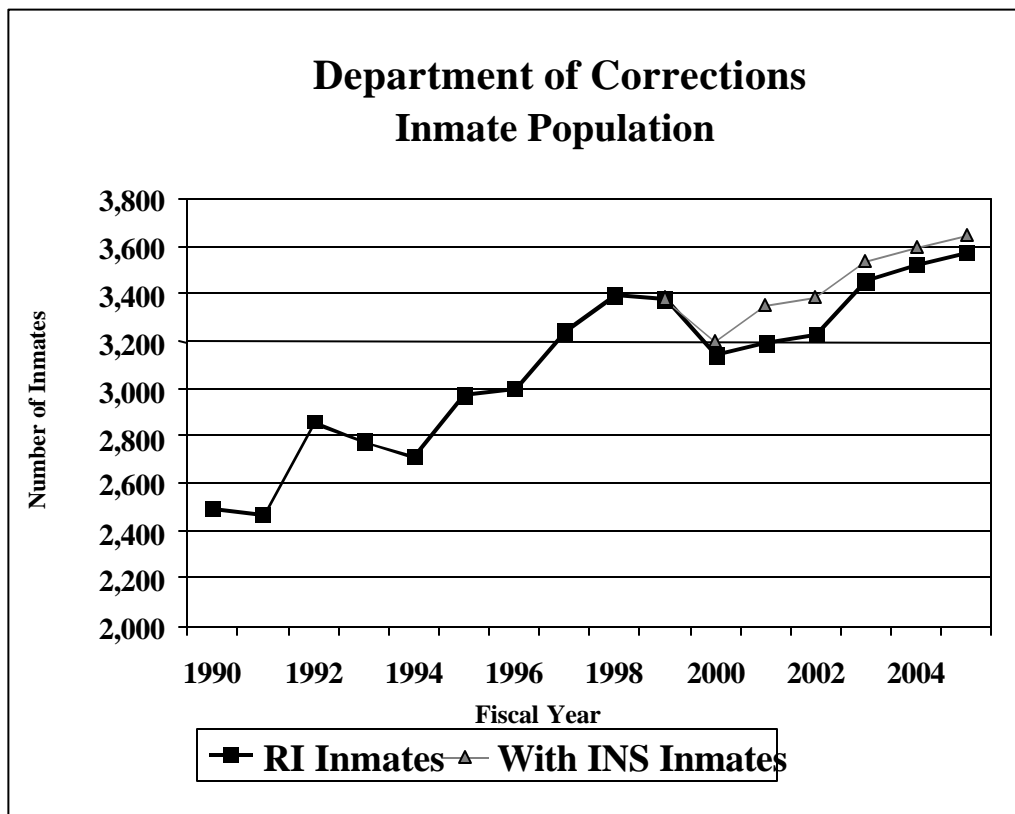
Federal funds expenditure decreases by \$1.1 million. The Governor recommends \$951,000 in federal Department of Justice funds for the Offender Reentry program to provide a new community-based model for aftercare services for inmates upon their release into the community. The budget also increases by \$614,000 federal funds for the housing of criminal alien inmates, reflecting revised estimates of federal fund

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availability. The governor recommends \$122,539 in new federal funds to the Sex Offender Management Task Force to identify and implement new sex offender management strategies. Offsetting these increases, Federal Crime Bill expenditures have been reduced by \$2.0 million due to revised estimated construction schedules for the Reintegration Center project. The \$629,000 decrease in restricted receipts from the enacted budget is due to the reduced number of Immigration and Naturalization Services and other federal detainees housed at the ACI. The enacted budget assumed 100 detainees versus 77 in the revised budget (actually 80, but the revised spending includes a carry-forward of an FY 2003 deficit). The \$1.4 million increase in other funds is due to the carry forward of unspent FY 2003 Rhode Island Capital Plan funds for various renovation and repair projects, offset by project rescheduling.

The FY 2004 revised budget supports an average inmate population of 3,600, an increase of 100 from the enacted level of 3,500. The population includes 3,523 state inmates and 77 out-of-state (federal) detainees. The total probation and parole caseload in FY 2003 was 34,506, down 1.4 percent from FY 2002. The home confinement population has also dropped by 11.6 percent to 214 in FY 2003.

For the FY 2005 budget, the Governor recommends \$162.2 million in total expenditures for the Department of Corrections. This consists of \$146.9 million in general revenue, \$9.6 million in federal funds, \$1.9 million in restricted receipts, and \$3.8 million in other funds.



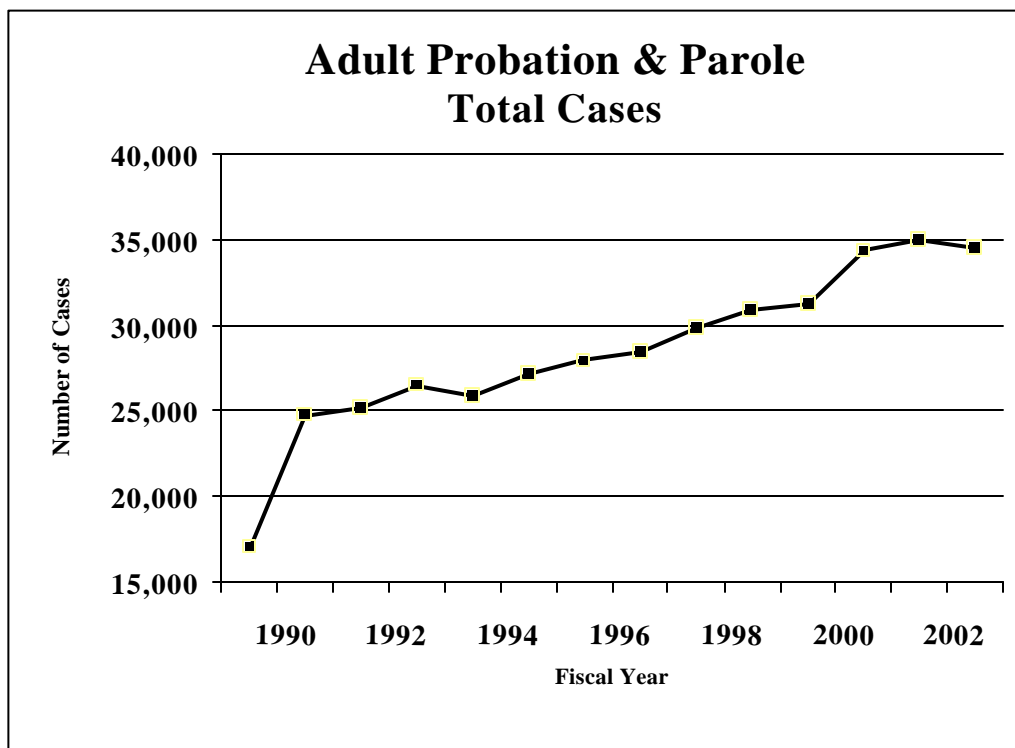
The FY 2005 recommended general revenue budget increases by 0.6 percent from the FY 2004 revised level. The \$809,659 increase finances several items. There is a \$1.9 million statewide adjustment for medical, retirement and other benefits. The Budget includes \$1,925,370 for a final retroactive payment to the Rhode Island Brotherhood of Correctional Officers (RIBCO) members. The Governor recommends an

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additional \$130,878 in general revenue for substance abuse treatment programs to substitute for the end of federal funding. The Governor recommends an additional \$132,292 in general revenue to finance three administrative positions for one-half year to perform start-up on the Reintegration Center, which is scheduled to open in July 2005.

The FY 2005 recommended budget supports an inmate population of 3,640, including 70 Immigration and Naturalization Service detainees and 3,570 state inmates, an increase of 40 from the FY 2004 revised estimate. Restricted receipts decrease by \$191,890, and general revenue increase by the same amount, to reflect the lower number of federal detainees. The recommendation includes funding for population-related operating costs reflecting the increased caseload as well as overtime costs. The Governor recommends funds in FY 2004 and FY 2005 for recruitment and training of a new correctional officer class, in response to the rising number of vacancies. The recommendation also includes full funding for various medical costs, including pharmaceuticals and drugs, medical contract employees, and inpatient/outpatient services.

In order to continue operations in times of constrained resource availability, the Department has taken temporary steps to reduce staffing requirements and shift populations in two facilities. At the Intake Service Center, the awaiting trial population and staff are shifted on a day-to-day basis to minimize overtime requirements. As in the past, the Department continues to be committed to a more efficient process of filling existing posts. The Department will work with the Governor, the Judiciary, and other interested parties to develop both early release and sentencing reform options to contain inmate population growth at an affordable level. The Governor recommends initiatives to reduce medical costs and related one-on-one custody services by establishing a Geriatric Unit within the Moran facility and by establishing a secure medical ward unit at Slater Hospital.



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The Department also provides an array of programs to supervise offenders who have been released from prison in order to protect the public and rehabilitate the inmate. The budget supports probation and parole services, the home confinement program, intensive community supervision of domestic violence and sex offenders in certain geographic areas, and includes funding for a transitional housing program for women. The Governor also recommends full funding of Community Corrections personnel in both FY 2004 and FY 2005, in order to avoid further deterioration of program caseload ratios per probation officer (291 for generic cases and 64 for domestic violence offenders in FY 2003, down from 320 and 73 in FY 2002).

Federal funding in FY 2005 increases by \$1.3 million. To date, Rhode Island has received \$15.0 million in federal Violent Offender Incarceration – Truth-In-Sentencing (VOI-TIS) funds. A portion of the grant can be used for drug treatment and administrative costs, but the funds are primarily for expansion of bed capacity for violent offenders. Federal VOI-TIS funding has been used for expansion of bed space at the women's facilities and a renovation of Medium Security facilities. Construction has begun for the renovation of a building at the Pastore Center to be used as a Reintegration Center, which will add 175 beds for sentenced males. The Center will house inmates who are within six months of release, but who have not qualified for lower custody status. Intensive evaluation and services will be provided to residents to facilitate their reintegration into community life. The department plans to open the Reintegration Center in October 2005. The FY 2005 budget for VOI-TIS is \$6.6 million, \$1.7 million above the FY 2004 revised level. Offsetting the increase are grant reductions in Department of Justice and Department of Education grants.

The Department also utilized VOI-TIS funds to finance a Siting and Construction Options Study. This study provided an in-depth analysis of offender populations and trends, offering critical guidance for future new construction and facility renovations. While the overall inmate population does not currently exceed capacity, of particular concern are the populations at the men's Maximum and Medium Security facilities, and in the women's secure facility. All have been near capacity for a number of years. Bed space availability in other facilities cannot be used to alleviate overcrowding in the above-mentioned facilities, as they are not designed to hold inmates classified at different security levels. The Siting and Construction Options Study has allowed the Department to develop a comprehensive ten-year plan that considers the various sub-populations, overall population forecasts, efficiency and effectiveness of existing facilities, and future construction needs. In addition to the impact of the population, the age and design of the facilities at the ACI are factors in planning for capital development.

In order to provide necessary repairs and renovations to the Department's aging facilities, and to address state match requirements for federally funded expansion projects, the FY 2005 budget includes \$3.8 million in Rhode Island Capital Plan funds. Major project funding is recommended in FY 2005 for the following: Reintegration Center state match; heating and temperature control; security camera installation; and roof repair and bathroom renovations in the women's facilities. Rhode Island Capital Plan funding decreases by \$1.2 million from the FY 2004 revised budget level due to the completion or the rephasing of several projects, including the Food Plant roof repair, Maximum general renovations, Dix expansion, High Security fire alarm, and bathroom, roof and masonry renovations to the women's facilities.

The Prison Industries program will continue to provide landscaping and grounds maintenance services for the Capitol Hill offices and Waterplace Park. \$231,386 in general revenue is budgeted in FY 2004 and FY

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2005 to Correctional Industries for this purpose. All other operations are supported by customer agencies and include a variety of services and products such as printing, sign making, cleaning supplies, license plate production, office workstation production and installation, moving and painting services for state, municipal, and charitable organizations, highway litter crews, and graffiti removal crews. In FY 2003, the financing of debt service costs for the state warehouse was shifted to the Central Distribution Center Internal Service Fund. As a result, the revised FY 2004 budget reflects a surcharge increase to customer agencies. Outsourcing of inmate commissary services has proven economically and strategically successful, and has been continued.

The Governor recommends 1,492.0 FTE positions in FY 2004 and 1,539.0 in FY 2005.

Judiciary

The Governor recommends a revised FY 2004 budget of \$80.4 million, which is 9.8 percent higher than FY 2003 expenditures. The \$80.4 million amount includes \$67.7 million in general revenues, \$4.6 million in federal funds, \$7.7 million in restricted receipts, and \$466,119 in other funds. The revised general revenue budget is \$113,976 less than the enacted level of \$67.7 million, reflecting Blue Cross settlement savings. Major general revenue changes in the FY 2004 budget by category of expenditure include increases of \$569,732 for purchased services, and decreases of \$397,933 for operating costs and \$171,799 for grants and benefits associated with judicial pensions. Excluding the Blue Cross settlement savings, the Governor's recommended budget funds payroll expenditures from general revenues at the FY 2004 enacted level of \$49.6 million. The recommended expenditures from federal funds in the revised budget are \$877,402 greater than enacted levels. Most of the increase is for Family Court programs, including \$475,567 for Drug Court grants and \$155,559 for Truancy Outreach grants. New federal grant awards received during FY 2004 include \$80,000 for the Criminal History Improvement Project; \$139,025 for the Domestic Violence Prevention program; and \$70,000 for a Re-entry Court Children's Assistance Compass program. The recommended expenditures from restricted receipts are \$637,927 greater than enacted levels. Most of the increase is associated with operations of the Workers' Compensation Court (\$486,064) and pensions of Worker's Compensation Court judges (\$148,871).

In FY 2005, the Governor recommends expenditures of \$80.0 million, including \$68.2 million from general revenue, \$3.6 million from federal funds, \$7.2 million from restricted receipts, and \$1.0 million from other funds. The recommended general revenue budget in FY 2005 is \$532,856 greater than the FY 2004 revised budget. Significant general revenue changes include: increases of \$918,875 for payroll, \$95,569 for purchased services, and \$76,364 for grants and benefits; and a decrease of \$76,364 for operating costs. Other fund expenditures of \$1.0 million are recommended in FY 2005 for capital improvements to the McGrath, Garrahy, and Licht courthouses. The building renovation projects will be financed from the Rhode Island Capital Plan Fund. The Governor's Capital Budget includes expenditures of \$51.8 million from certificates of participation to construct a new Kent County Courthouse and parking garage. The parking garage will be completed in March 2004. The new Kent County Courthouse is to be completed in late 2005 or early 2006.

The Governor recommends an authorized staffing level for the Judiciary of 734.5 FTE positions for FY 2004 and FY 2005, no change from the enacted level.

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Military Staff

In the FY 2004 revised budget, the Governor recommends total expenditures for the Military Staff of \$53.5 million, including \$2.1 million general revenues, \$50.2 million in federal funds, \$936,564 in other funds, and \$176,768 of restricted receipts. The FY 2004 revised budget is 23.5 percent less than the enacted budget, and consists of a \$656,443 decrease in general revenue, a \$15.5 million increase in federal funds, a \$38,511 increase in restricted receipts, and a reduction of \$100,936 in other funds. The increase in federal funds relates to a new (federal fiscal year 2004) homeland security grant of \$21.5 million in Emergency Management, adjusted for revisions in the expenditure schedule for the new grant and previously awarded grants. The Governor recommends in FY 2004 total spending of \$38.8 million from new and existing federal grants for various homeland security-related activities: Emergency Operating Center assessment; state and municipal first responder equipment; equipment for local emergency response teams; interoperable communications; the Urban Search and Rescue program; municipal planning, exercises, and training; state homeland security equipment, training, exercise and planning activities; law enforcement terrorism prevention; and Citizens Corps and volunteer training programs.

The reduction in other funds is due to the revised availability of National Guard Bureau funds for the Camp Fogarty Maintenance Shop/Armory project as well as delays in other projects, offset by scheduled expenditure increases to complete the Bristol and Warren Armory projects. The increase in restricted receipt expenditure is due to the availability of unspent FY 2003 funds from funds provided by nuclear plant companies for disaster planning.

The revised general revenue appropriation of \$2.1 million includes additional funds and FTE's for maintenance employees for gardening and snowplowing work in the Air Guard program (matched by federal funds), additional funds for heating oil costs at state armories, and \$25,000 for additional overtime expenditures in Emergency Management. The budget also includes salary and employee benefit adjustments, and increased overtime funding for firefighters. The Governor recommends the transfer of the military honors program, which provides firing squads and buglers at veteran's funerals, to federal National Guard Bureau funding. The Governor also recommends elimination of \$600,000 from the enacted budget for a wide area incident tracking system project to establish a demonstration-scale integrated communications system, due to delays in initiating the project and uncertainties as to the on-going cost of implementing a full-scale project.

In the FY 2005 budget, the Governor recommends total expenditures of \$18.9 million for Military Staff programs, including \$2.1 million from general revenue, \$15.8 million from federal funds, \$228,157 from restricted receipts, and \$756,250 from other funds. Compared to the revised FY 2004 budget, general revenue expenditures decrease by \$4,389, federal funds decrease by \$34.4 million, Rhode Island Capital Plan funds decrease by \$180,314, and restricted funds increase by \$51,389.

The FY 2005 recommended budget continues to finance the revised FTE level in the National Guard and Emergency Management programs. The Governor recommends additional general revenue and FTE's for maintenance employees in the Air Guard program with matching federal funds, additional funds for heating oil costs at state armories, and funding for staff fringe benefit adjustments. The Governor recommends the transfer of funding for the Distributed Technology Training program from general revenue to federal and restricted receipt funding. The Governor continues to recommend the transfer of the military honors program to federal National Guard Bureau funding.

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In other funds, the Governor recommends continued Rhode Island Capital Plan funding for repair projects at the Benefit Street, Warwick, North Smithfield, and Schofield armories, as well as roof rehabilitation at the Armory of Mounted Commands. Offsetting these increases are reductions due to the scheduled completion of the Bristol and Warren Armory projects. The Governor also recommends new projects for repair of the Camp Fogarty Training Site and for new fire code-related improvements for all National Guard facilities. In federal funds, the Governor recommends \$4.3 million for the completion of homeland security grant funding.

The Governor recommends 97.0 FTE positions in FY 2004 and FY 2005 for an increase of 4.0 FTE's from the enacted budget for maintenance positions financed from a three to one federal match to provide winter and summer outside maintenance at various Air Guard facilities in order to maintain operational readiness.

E-911 Emergency Telephone System

The Governor recommends general revenue expenditures of \$4.4 million in the FY 2004 revised budget for the E-911 Emergency Telephone System. This amount is \$45,795 higher than the FY 2004 enacted budget, reflecting balance forward funding from FY 2003. The significant changes to the agency's budget include an increase of \$94,208 for the geographic information system (GIS) database development project and a \$48,413 decrease for personnel and operating costs. The FY 2004 revised budget provides \$230,208 for the GIS project, \$72,308 more than the enacted budget of \$157,900. The additional funding for the GIS database development project will allow the agency to geo-code one or two more towns in FY 2004. To date, about 20 percent of the State has been geo-coded, representing 7 of the 39 cities and towns. The GIS database will provide the capability to locate wireless callers by relating latitude and longitude coordinates to a specific address or landmark. The GIS database will include coordinate locations of buildings served by wire line telephones, road centerlines, fire hydrants, public places, and driveway access points; street addresses; road names; and, other pertinent information. The agency is compliant with Phase II of a FCC-mandate that requires public safety answering points (PSAPs) to locate callers within certain distance and accuracy parameters. Approximately 50 percent of the 530,000 phone calls received last year were from wireless telephone callers.

For FY 2005, the Governor recommends expenditures of \$5.5 million, including \$3.8 million from general revenues and \$1.7 million from restricted receipts. Of the \$3.8 million of general revenues, \$3.4 million is for personnel expenditures and \$444,382 for operating expenditures. The Governor proposes to establish a new GIS and Technology Fund in FY 2005 to provide a dedicated revenue stream to complete and maintain the GIS database, improve system reliability by establishing a backup facility, and replace antiquated PSAP equipment. The restricted receipt revenues for the Fund are from a \$0.26 monthly surcharge on wireless instruments capable of delivering two-way interactive voice services. The FY 2005 budget recommends expenditures from the new Fund of \$1.1 million for geo-coding the greater Providence area and \$543,816 to establish a "bare bones" temporary backup E-911 answering facility. The backup facility will be housed in the Department of Transportation building at 2 Capitol Hill, Providence, and will allow service to continue if the current facility is damaged or has to be abandoned/evacuated due to fire, terrorism, or system component failure. The \$543,816 of restricted receipt funding will be used to purchase computer equipment sufficient to operate eight workstations. For FY 2004 and FY 2005, the Governor recommends an FTE authorization of 50.6 positions.

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Fire Safety Code Board of Appeal and Review

For FY 2004, the Governor recommends revised general revenue appropriations of \$235,045, a decrease of \$424 from FY 2004 enacted levels. The change reflects an adjustment to the Blue Cross settlement.

The Governor recommends general revenues of \$241,338 for FY 2005, an increase of 2.7 percent from the FY 2004 revised budget. The recommendation fully finances current operations of the board, including additional duties regarding review of building rehabilitation plans effective July 1, 2001. The Governor recommends 3.0 FTE positions in FY 2004 and FY 2005.

State Fire Marshal

The Governor recommends revised FY 2004 funds for the State Fire Marshal of \$2.1 million, including \$1.7 million in general revenue, \$341,897 in federal funds, and \$20,000 in other funds. The revised general revenue budget reflects a decrease of \$2,653 from FY 2004 enacted levels, attributable to savings in the Blue Cross settlement. Increased federal ceilings of \$56,594 reflect grant awards for Bioterrorism Preparedness Training and Homeland Security.

The Governor recommends total expenditures of \$2.3 million in FY 2005, including \$2.0 million general revenue, \$317,480 federal funds, and \$20,000 in other funds. The recommended general revenues represent a \$232,781 increase for five new inspectors, and savings of \$23,785 in personnel and operating costs. The Governor recommends 27.0 FTE positions in FY 2004 and 32.0 FTE positions in FY 2005.

Commission on Judicial Tenure and Discipline

The Governor recommends general revenue expenditures of \$128,352 in the FY 2004 revised budget. This amount is \$14,897 greater than the FY 2004 enacted budget of \$113,455. The additional funding is for legal and stenographic services associated with pending investigations and, potentially, public hearings of alleged judicial misconduct.

For FY 2004, the Governor recommends expenditures of \$102,842 from general revenue, which is \$25,510 less than the FY 2004 revised budget. The Governor's recommendation fully finances the Commission's operations, including funding for the one full-time staff member and a base level of funding for legal, stenographic, and operating expenses.

Rhode Island Justice Commission

The Governor recommends total revised expenditures of \$6.2 million for FY 2004, including \$163,220 in general revenue, \$5.9 million in federal funds, and \$90,000 in restricted receipts. The Governor's revised FY 2004 all funds recommendations are \$202,204 or 3.4 percent greater than the level enacted for FY 2004. The increased expenditures are due primarily to a one-time increase in discretionary Byrne grant funds for the local police departments of Cranston, Warwick and West Warwick. Decreased funding for Justice Statistics has offset the total allocation of \$267,035.

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In FY 2005, the Governor recommends total expenditures of \$6.0 million, including \$248,367 in general revenue, \$5.7 million in federal funds, and \$90,000 in restricted receipts. This level of funding decreases by \$130,493 or 2.1 percent from the Governor's revised FY 2004 all funds budget recommendation. This net decrease consists of a general revenue increase of \$85,147 and a federal funds decrease of \$215,640. The increase in general revenue reflects the Governor's proposal to add \$100,000 to finance additional racial profiling studies investigating state and local police behavior. The decrease in federal funds reflects reductions in one-time discretionary Byrne grant funds in FY 2005.

The FY 2004 and FY 2005 FTE recommendations are unchanged from the FY 2004 enacted ceiling of 9.0 full time equivalent positions.

Municipal Police Training Academy

The Governor recommends a revised FY 2004 budget of \$428,357, including \$355,485 of general revenue and \$72,872 of federal funds. The general revenue recommendation is \$902 less than the FY 2004 enacted level, attributable to minor adjustments to operating expenditures. An increase of \$37,872 in federal funds above the enacted level relates to carry-over balances and annual awards through the Rhode Island Justice Commission for Hate Crimes Training and the Byrne Grant for In-Service Training. Unspent federal awards in FY 2003 from the Governor's Office of Highway Safety will be used in FY 2004 for Drug Recognition and Field Sobriety and Traffic Stop training.

The Governor recommends total expenditures of \$401,327 for the Academy in FY 2005, consisting of \$361,327 in general revenue and \$40,000 in federal funds to maintain its recruit and in-service training programs for approximately 1,200 officers each year. The Governor recommends 4.0 FTE positions in FY 2004 and FY 2005, consistent with previous years' staffing levels.

State Police

The Governor recommends \$44.7 million in expenditures for the State Police in the FY 2004 revised budget, including \$39.9 million general revenues, \$2.2 million in federal funds, \$2.1 million in other funds, and \$590,023 of restricted receipts. This reflects a decrease of \$712,899 in general revenue expenditures, and \$131,756 in other fund expenditures. It also includes increases in federal costs of \$908,574 and \$366,555 in restricted receipt expenditures. The largest component of the general revenue reduction of \$834,785 is for personnel costs, which reflects the retirement of troopers and federal financing of other State Police staff.

The Governor recommends \$46.7 million in expenditures from all funds for the State Police for FY 2005, including \$43.0 million general revenues, \$1.3 million in federal funds, \$2.1 million in other funds, and \$298,089 of restricted receipts. This represents an increase in all funds of \$1.9 million from the FY 2004 revised levels recommended by the Governor. This includes increases in general revenue expenditures of \$3.1 million and in other funds of \$27,250, reductions in federal expenditures of \$938,140, and reductions in restricted receipt costs of \$291,934. Personnel costs account for \$1.7 million of the general revenue increase, primarily from placement of a new trooper class in FY 2005. Costs related to trooper retirements account for an additional \$900,363. Operating costs for vehicle replacement and for clothing increase by \$332,350 and \$215,180, respectively.

The Governor recommends 251.0 FTE positions in FY 2004 and 281.0 in FY 2005.

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Office of the Public Defender

The Governor recommends total expenditures of \$7.0 million in the FY 2004 revised budget for the Public Defender, including \$6.5 million in general revenue and \$528,653 in federal funds. The general revenue recommendation is \$75,985 less than the FY 2004 enacted level. The budget includes a balance forward of \$7,278 for unpaid FY 2003 obligations, as well as funds for tax escalator adjustment. The decrease reflects the transfer of expenditure to a federal State Court Improvement grant, as well as turnover adjustments. The \$86,831 increase in federal expenditures is due to the continued use of \$43,631 in State Court Improvement funds provided by the Rhode Island Supreme Court to finance one FTE which provides legal representation to respondent parents in dependency, abuse, neglect, or termination of parental rights appeal cases. In addition, the acquisition of computer hardware for the completion of the Justice-Link project requires an extension of the Byrne grant and an increase of \$43,408 from funds brought forward from FY 2003.

The Governor recommends total expenditures of \$7.1 million in FY 2005, including \$6.7 million in general revenue and \$419,167 in federal funds. The FY 2005 recommendation is \$120,415 greater than the Governor's FY 2004 revised recommendation. The general revenue increase of \$251,476 reflects statewide adjustments for fringe benefits and turnover of \$137,118, and \$109,316 to replace federal funds with a state match for the Juvenile Response Unit. The latter provides immediate defense intervention and advocacy to incarcerated youth. Federal funds decrease by \$109,486, primarily in the Juvenile Response Unit. The FY 2004 and FY 2005 recommendation is for 86.2 FTE, no change from FY 2004 enacted levels.

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Natural Resources

Natural Resources

Summary

The Natural Resources function includes the Department of Environmental Management, the State Water Resources Board and the Coastal Resources Management Council. Although the Narragansett Bay Commission and the Rhode Island Clean Water Finance Agency are quasi-public environmental agencies created by the state, these operations are separate from the state and are not included in the state budget. Certain debt service for general obligation bonds issued to finance capital projects of these agencies however, are appropriated in the state budget within the Department of Administration.

The Department of Environmental Management manages and protects Rhode Island's public and common natural assets, including land, air and water resources. It manages state-owned lands, including state parks and beaches, forests, port facilities, and fish and wildlife management areas. The department administers a capital management program financed by general obligation bonds, Rhode Island Capital Plan funds, federal funds and restricted receipts. Capital program activities include: acquisition and development of recreational, open space and agricultural lands; municipal and non-profit grant programs for land acquisition and development; improvements to state-owned ports and recreation facilities; Superfund federal mandates; construction of new state environmental facilities; municipal wastewater facility construction grant programs; and, grants to non-governmental entities for specified water quality improvement projects. The department also monitors the use and quality of state groundwater, regulates discharges and uses of surface fresh and salt water; enforces game, fishing and boating regulations, regulates air quality, and monitors the disposal of solid and hazardous wastes.

The Coastal Resource Management Council seeks to preserve, protect and restore the coastal resources of the state. The council is administered by sixteen appointed representatives from the public and from state and local government, and is staffed with professional engineers, biologists, environmental scientists and marine resource specialists. The council issues permits regarding proposed changes in coastal facilities within an area from three miles offshore to two hundred feet inland from coastal features, including all freshwater wetlands within the coastal zone. The council formulates, amends, and enforces violations of the Rhode Island Coastal Resources Management Plan and Special Area Management plans. The council: develops guidelines and advises communities on harbor management plans; develops a Submerged Lands Management licensing program for public trust areas; designates public rights-of-way to the shore; and serves as the aquaculture coordinator for permitting and planning actions. The council is the lead agency for all dredging activities including the Providence River dredging project and implements an extensive habitat restoration effort. It also conducts public outreach and public communication campaigns on its programs and activities, and coordinates its programs with other government agencies.

The State Water Resources Board is a water supply planning and development agency responsible for promoting the protection of developed and undeveloped drinking water supplies for the thirty-four municipal water supply systems located in the state. The board regulates water supply distribution lines connecting water supply systems and is creating a computerized database for drought alert communication. The board also manages the Big River Management Area, a water supply reservation. The board is composed of thirteen members, including six public members appointed by the Governor. One is a member of the House of Representatives appointed by the Speaker of the House; one member is from the Senate, appointed by the Majority Leader of the Senate. The five remaining members are the Director of Department of Environmental Management, the Director of Economic Development

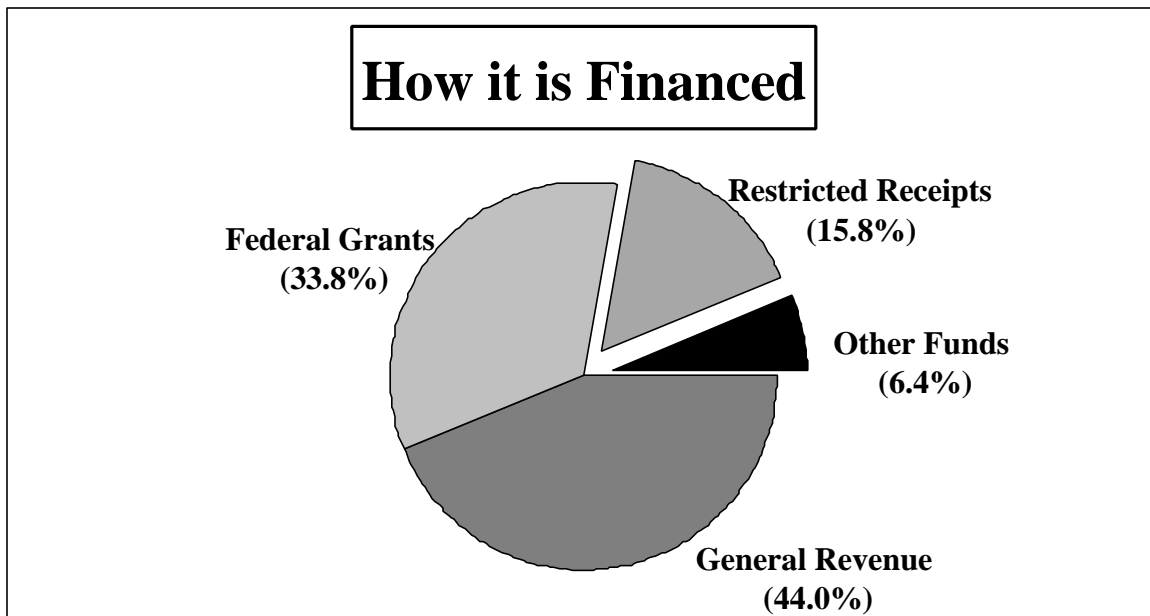
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Corporation, the Director of Department of Health, the Director of Department of Administration, and the Chairman of the Joint Committee on Water Resources, all of whom serve ex-officio.

The FY 2004 recommended total for natural resource agencies is \$83.9 million, or \$1.4 million above enacted appropriations of \$82.4 million for all sources of financing. General revenues increase by \$103,503, from \$34.0 million to \$34.1 million. Federal funds increase by \$2.2 million, from \$26.8 million to \$29.0 million, attributable to prior year and new awards. Restricted receipts increase by \$314,054 from \$15.5 million to \$15.8 million, and other funds decrease by \$1.2 million from \$6.1 million to \$4.8 million, reflecting deferred RI Capital Plan projects in DEM accounts.

The Governor recommends total expenditures of \$80.4 million for natural resource agencies in FY 2005. This amount is a decrease of 4.3 percent from the revised FY 2004 level of \$83.9 million. Fiscal year 2005 funding consists of \$35.4 million in general revenue, \$27.1 million in federal grants, \$12.8 million in restricted receipt revenues, and \$5.1 million in other funds. Of the expenditures recommended in FY 2005 for natural resource agencies, \$72.8 million, or 90.4 percent, is for the Department of Environmental Management, \$4.5 million, or 5.7 percent is for the Coastal Resources Management Council, and \$3.1 million, or 3.9 percent is for the State Water Resources Board.

The recommended FY 2005 general revenue appropriation for the natural resource function is 3.7 percent, or \$1.3 million, greater than the revised FY 2004 budget. The increase is primarily in the Department of Environmental Management in the amount of \$978,420, or 3.1, percent above the FY 2004 revised level. The increase reflects: statewide benefit and payroll adjustments; additional amounts for current service staffing at the state's parks and recreational areas; increase for anticipated beach host community revenue distributions; and, compensation for reduced federal and restricted receipt offsets, primarily in water resources. These additions are offset by reductions from position freezes and operational consolidation, including the realignment of the strategic planning and technical and customer assistance units. In Coastal Resources, general revenue financing is reduced by \$28,644 to reflect personnel and operational efficiencies. The State Water Resources Board's general revenue financing increases by \$289,339 from the FY 2004 revised level, to reflect decreasing availability of restricted resources in the Department of Health from the federal Safe Drinking Water Act.

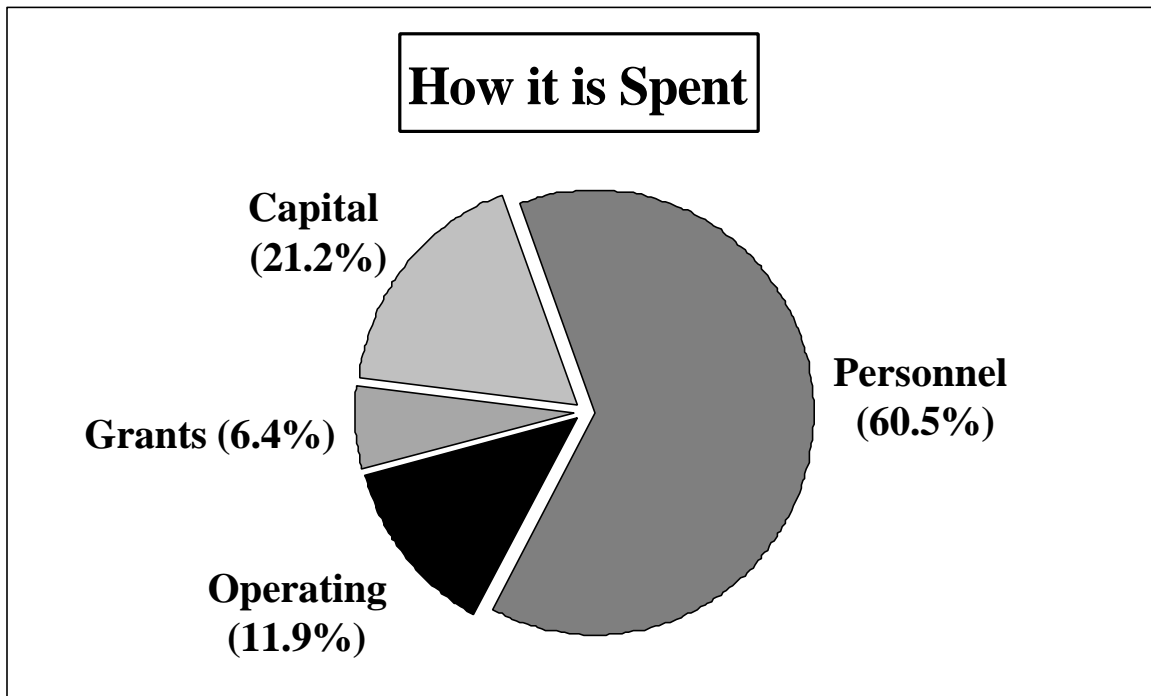


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Federal funds for natural resource agencies are expected to decrease by 7.0 percent between the FY 2004 revised and the FY 2005 recommended budgets. Federal Funds are recommended at \$29.0 million in the revised FY 2004, and \$27.1 million in the recommended FY 2005 budget. The decrease in federal expenditures of \$1.8 million in Environmental Management is attributable to the end of one-time federal grants for various programs, and to revised federal awards and segment completions. In the Coastal Resources Management Council, federal financing is reduced by \$225,998. Federal funds in the Water Resources Board increase by \$172,500, recognizing increased federal funds for water development programs.

Restricted receipt expenditures in FY 2005 in the natural resource agencies decrease by \$3.1 million, or 19.5 percent, from the FY 2004 revised level, reflecting the completion of the Providence River Dredging project financed from the Oil Spill Prevention and Administration Fund, offset by the addition of restricted receipt financing for the Rosehill Landfill Superfund project. Restricted receipts in the Water Resources Board decrease for operational support previously provided by the Department of Health from federal Safe Drinking Water Act funds.

Other funds expenditures for natural resources total \$5.1 million in the FY 2005 recommended budget, an increase of \$300,214, or 6.2 percent, from FY 2004 revised levels. Other funds finance capital improvements and asset protection projects within the Rhode Island Capital Plan Fund. The Governor's recommended budget finances projects for the FY 2005-2009 capital budget period including various facility maintenance projects of the Department of Environmental Management, habitat restoration projects of the Coastal Resources Management Council, and the Big River Management project of the Water Resources Board.



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Of the \$80.4 million recommended for natural resources for FY 2005, personnel is budgeted at \$50.9 million, or 63.3 percent, operating at \$10.5 million, or 13.1 percent, capital improvements at \$14.0 million, or 17.4 percent, and \$5.1 million, or 6.2 percent, for assistance, grants, and benefits.

The Governor recommends total full-time equivalent positions of 576.7 FTE in both FY 2004 and FY 2005 for the three natural resource agencies. Upward to 350 temporary positions may also be utilized for seasonal support at state parks and beaches.

Natural Resources

Department of Environmental Management

The Governor recommends revised appropriations of \$72.2 million in FY 2004 for the Department of Environmental Management, including \$31.7 million in general revenue, \$26.3 million in federal funds, \$9.7 million in restricted receipts, and \$4.5 million in other funds. The department's revised general revenue appropriation is \$36,835, or 0.2 percent more than the FY 2004 enacted budget. General revenue appropriations in the Policy and Administration program decrease by \$27,752 from the enacted level, primarily due to adjustments in strategic planning, computer systems, human resources and criminal investigation to reflect current service financing of personnel costs. General revenues in the Natural Resource program increase by \$116,081 over the FY 2004 enacted level. The additions include: \$169,885 for Parks and Parks Seasonal to finance current staffing and operating requirements, including \$15,700 for overtime; \$131,549 for current service requirements for environmental police officers; and \$20,350 for Agriculture overtime that was not provided in the enacted level. Offsetting reductions include \$115,461 for host community beach revenue sharing, to reflect actual collections of the 2003 summer season, and \$86,664 from operating codes to reflect historical expenditure levels. In the Environmental Protection program, general revenues decrease by \$51,494 from the enacted level, primarily attributable to realized turnover in the Office of Technical and Customer Assistance. RoseHill landfill project design costs, originally financed in FY 2004 from reappropriated general revenue from FY 2003, will be adjusted to federal funds to reflect the shared financing arrangement, and to restricted environmental settlement recoveries in lieu of general revenue financing for the state-match requirement.

The Governor's revised FY 2004 budget recommendation for federal grant ceilings is \$26.3 million, and is greater than the enacted amount by \$1.0 million. The adjustment includes: the addition of \$162,546 in the One-Stop grant in Policy and Administration for integration of environmental data with a nationwide dataset; the addition of \$389,213 in Natural Resources for new animal health initiatives and agricultural pest surveys; and, the addition of \$431,625 in Environmental Protection for expanded federal financing for brownfield site assessment in preparation of site redevelopment.

Restricted Receipt expenditures in the Governor's revised FY 2004 budget are \$396,250 less than the enacted amount of \$10.0 million, attributable to reduced resources in the fish license and commercial shellfish receipt accounts. Commercial shellfish receipts, specifically, are reduced by \$321,469 from previous years' collections, attributable to reconfiguration of the license structure compounded by diminishing opportunities in this industry. Fishing license receipts are expected to be \$95,727 less than the FY 2004 enacted level, based on mid-year collection data.

For FY 2005, the Governor recommends appropriations of \$72.8 million for the department, including \$32.7 million in general revenue, \$24.5 million in federal grants, \$10.9 million in restricted receipts and \$4.6 million in other funds. The FY 2005 recommendation is \$613,440 or 0.9 percent, greater than the FY 2004 revised recommendation for all funds. Recommended general revenue appropriations are \$978,420 more than the FY 2004 recommended level, federal expenditures are \$1.8 million less, restricted receipts are \$1.3 million greater, and other funds in FY 2005 are \$194,064 greater than the revised FY 2004 budget.

General revenues in the Policy and Administration program increase by a net \$97,987 over the FY 2004 level of \$8.2 million, attributable to: elimination of a vacant position in Strategic Planning and new offsets to federal grants in the Sustainable Watersheds program in the combined amount of

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\$178,374; increase of rent and utilities expense at headquarters in the amount of \$49,434; and, other adjustments to operating codes and central information expenses totaling \$30,953.

Federal funds in the Policy and Administration program decrease by \$310,327, attributable to federal awards levels and completion of programs in the North American Wetlands Conservation program, Symms Recreation Trails, and One-Stop Reporting. The reductions are offset by increases to Bureau of Outdoor Recreation financing and lead paint outreach initiatives. Restricted receipts in the Policy and Administration program decrease by a net \$321,144 from the FY 2004 recommended level of \$3.1 million, attributable to a decrease in the Boat Registration account of \$57,748 based on expected collections, reduction of \$30,268 in the Oil Spill Prevention, Administration and Responsibility fund based on expected department activity, and a reduction of \$250,000 from the Natural Heritage Revolving Fund.

In the Natural Resources program, general revenues increase by \$247,951 over the FY 2004 recommended level of \$15.2 million. Host community beach revenue sharing increases by \$115,461, with the expectation that the 2004 summer season will resemble past years' attendance levels. Parks and Parks Seasonal increases by \$135,547, reflecting additions to personnel codes to finance current service requirements. Agriculture is reduced by \$57,100 in operating codes to reflect historical expenditures, and Forestry and Forestry seasonal increase by a combined amount of \$39,757 to finance expected personnel costs, including overtime. Enforcement increases by \$53,304 reflecting additions for personnel and benefit cost requirements.

Federal funds in the Natural Resources division decrease by \$2.3 million from the Governor's FY 2004 recommended level reflecting a one-time grant in the amount of \$1.5 million for a fisherman's research trust in FY 2004, which is not expected to be repeated in FY 2005. The expenditure of the trust dollars are expected to span several fiscal years. Narragansett Bay Reserve operations are reduced by \$106,534 based on expected grant awards. Federal funds for yellowtail flounder survey and other marine and freshwater fisheries studies are reduced by \$295,367 compared to the FY 2004 recommended level, reflecting second year expenditure of these funds. Forest and forest legacy grant financing is reduced by \$551,601 from the FY 2004 level, and wildlife grants are reduced by \$64,716. Offsetting increases include the addition of \$109,902 for a comprehensive wildlife management plan, \$60,840 for West Nile virus control programs and \$89,967 for the cooperative forestry program. Total federal financing for the Natural Resources program is \$11.8 million.

Restricted receipts in the Natural Resource program increase by a net \$398,878, largely attributable to the restructuring of the shellfish and marine license fee structure in FY 2002, which is expected to recover in FY 2005 from shortfalls in collections in FY 2002, FY 2003 and FY 2004. Offsetting decreases include adjusted expenditures to accommodate reduced collections in trout stamps, waterfowl stamps and boating registration. In Other Funds, Rhode Island Capital Plan financing increases by a net \$11,918 over the FY 2004 recommended level, indicating additions and subtractions to capital projects as described in the Capital Plan document. Total RICAP financing in the Natural Resources division in FY 2005 is \$2.2 million.

In Environmental Protection, general revenue increases by \$632,482 over the Governor's FY 2004 recommended level of \$8.4 million, reflecting the addition of \$763,010 in Water Resources and \$141,553 in Compliance and Inspection, primarily due to reduced federal and restricted resources available for offsets.

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Federal funds in Environmental Protection increase by \$737,165 over the FY 2004 recommended level of \$9.2 million, attributable to: increases in water pollution management grants in the amount of \$101,577; federal Superfund financing for the Rosehill landfill site in Kingstown in the amount of \$1.1 million; brownfields grant funding in the amount of \$260,759; and additional Department of Defense sites restoration grants in the amount of \$56,726. These increases are offset by decreases to: the groundwater grant (\$228,057); leaking underground storage tanks (\$262,039); Superfund core program and National Priority List (\$258,322), and; the Narragansett Bay Study grant (\$77,219). Restricted receipt financing in the program increases by \$1.2 million over the FY 2004 recommended level of \$3.3 million to include the addition of \$1.1 million for the state portion of the Rosehill landfill site restoration. Underground storage tank financing increases by \$116,002, and \$90,100 is added for department administration of the State Revolving Fund program. The Water and Air Protection account is reduced by \$476,263, to reflect expected collection shortfalls.

The Governor recommends 539.7 FTE positions in FY 2004 and 538.7 FTE positions in FY 2005 to reflect the removal of one vacant position from the department's roster.

Coastal Resources Management Council

In the revised FY 2004 budget, the Governor recommends appropriations for the Coastal Resources Management Council of \$9.2 million. This includes \$1.5 million of general revenue, \$2.4 million of federal funds, \$172,000 in Rhode Island Capital plan funds, and \$5.2 million in restricted receipts. The recommendation includes \$101,420 in general revenue funds reappropriated from FY 2003 for the computerization of the Agency's permit database. Personnel and operating expenditures decrease by \$33,446, reflecting the consolidation of the Agency's Providence field office, as well as a reduction in purchased services due to the completion of a dredging consultant contract. The net general revenue increase from the enacted budget is \$67,974. Federal funds increase by \$904,998, reflecting \$41,918 in unexpended FY 2003 grants to develop a coastal habitat restoration system, and \$863,080 for both continuing program operations and special activities. Among the latter are URI contracts for the publication of a public access guide and a contract for monitoring support for Providence River Dredging project. The increase also includes \$309,646 in unspent FY 2003 funds. Restricted receipt expenditures increase by \$710,304, reflecting both completions and additions of projects in the Oil Spill Prevention, Administration and Response Fund.

In the FY 2005 budget, the Governor recommends appropriations of \$4.5 million. Of this amount, \$1.5 million is financed with general revenue, \$2.1 million is financed from federal funds, and \$932,267 is financed from restricted receipt funds. General revenue funds decrease by \$28,644 compared to FY 2004 revised levels, reflecting statewide and agency-specific benefit and payroll adjustments, offset by the completion of non-recurring items for the permit database project. Federal funds decrease by \$225,998, reflecting the current grant level in the Coastal Zone Management Program and the completion of the coastal habitat restoration system grant.

The FTE position level for the council is unchanged at 28.0 for FY 2004. For FY 2005, the Governor recommends 29.0 FTE's reflecting the addition of a public education outreach coordinator to provide public access and information regarding various issues, including marina dredging, Providence River dredging, and coastal restoration projects.

The Governor recommends appropriations of Rhode Island Capital Plan funds in FY 2004 of \$172,000 for the coastal habitat restoration at Allin's Cove in Barrington. The Governor recommends restricted

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receipts of \$97,037 in FY 2004 to complete various coastal habitat restoration projects, and \$4.1 million in FY 2004 to complete the Providence River Dredging Project. Both projects started in FY 2003. The Governor also recommends restricted receipt expenditure of \$968,000 in FY 2004 and \$932,000 in FY 2005 and in FY 2006 for the South Coast Restoration project, to dredge breachways and tidal deltas for habitat restoration, beach replenishment, and fish restoration efforts. This reflects a transfer of funding planned from the R.I. Capital Plan Fund to the Oil Spill Prevention, Administration and Response Fund.

State Water Resources Board

The Governor recommends revised expenditures for the Water Resources Board of \$2.5 million for FY 2004, including \$939,686 million of general revenue, \$327,500 of federal funds, \$984,000 of restricted receipts and \$213,925 of RICAP funds. This reflects an increase of \$460,119 from enacted levels. The addition consists of a decrease of \$1,306 in general revenue, an increase of \$327,500 in federal funds and \$133,925 in projects financed from the Rhode Island Capital Plan Fund. The decrease in general revenue reflects current service levels less the Blue Cross Settlement adjustment. The federal funds increase represents unspent balances from FY 2003. The Rhode Island Capital Plan Fund recorded increases for Big River Management Area, Water Allocation Plan and Supplemental Water Supplies.

The Governor recommends FY 2005 expenditures of \$3.1 million, an increase of \$650,987, or 26.4 percent, from revised FY 2004 levels. General revenue expenditures are budgeted at \$1.2 million reflecting an increase of \$289,339 from FY 2004 adjusted levels. The majority of this increase is due to decreased availability in FY 2005 of resources from the Department of Health for safe drinking water programs. Other funds (Rhode Island Capital Plan) of \$492,075 in FY 2005 include the Big River Management Area project and Supplemental Water Supplies. Restricted receipt funds of \$895,000 in FY 2005 include \$495,000 for the Water Allocation Plan and \$400,000 for Supplemental Water Supplies Identification/Development. The Water Development program includes \$500,000 in federal funds.

The Governor proposes that the State limit its obligations relating to the rehabilitation and reconstruction of the existing Bristol County Water Authority (BCWA) supply and treatment facilities in accordance with R.I.G.L. 46-15-5, to the amount of existing state bond proceeds available for the project. The project included the Shad Factory Pipeline Construction, repairs to the Bristol County Water Authority's three Massachusetts reservoirs, and an upgrade to the Authority's treatment facility in order to ensure continued use of the reservoir water. The State will fund \$12.6 million of this cost. This proposal would save \$862,034 in FY 2005, \$600,000 in FY 2006, \$537,966 in FY 2007. The \$2.0 million of costs would be borne by the ratepayers in the Bristol County Water district. The Governor recommends 9.0 FTE positions in FY 2004 and in FY 2005.

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Summary

Transportation includes road and bridge construction and maintenance, mass transit, and planning activities of the Department of Transportation. In FY 1994, the state established the Intermodal Surface Transportation Fund (ISTF), to provide financing for transportation expenditures from dedicated user-related revenue sources. This dedicated highway fund establishes a direct relationship between transportation project financing and the end-users of the projects, with a stable revenue stream capable of financing the projects on a pay-as-you-go basis. For both FY 2004 and FY 2005, the Governor recommends 812.7 FTE positions for the Department of Transportation.

The Intermodal Surface Transportation Fund is supported by the state's thirty-cent gasoline tax. Gasoline tax receipts finance operating and debt service expenditures of the Department of Transportation (DOT), as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Department of Elderly Affairs (DEA).

The revenue generated by the state's gas tax is allocated to these recipients on an individual cent basis. State law governs the amount of cents that are to be distributed to the agencies as well as the general fund. The anticipated current and upcoming fiscal year revenue collection for the gasoline tax is established at each Revenue Estimating Conference. The Conference estimates gas tax collections on a cent per gallon revenue yield. This yield is the basis for the development of budgets for the various gas tax supported operations.

Since the inception of this funding mechanism for transportation activities there have been numerous revisions to the allocation plan. Each change has been initiated in order to direct more revenues over to operations as opposed to collection into the general fund. The last change to the disbursement schedule was in the FY 2004 enacted budget that increased the DOT allocation by one-fourth of one cent and RIPTA's share by six-tenths of one cent. These increases were offset by a reduction in the allocation of gas tax directed to the general fund. With the FY 2004 enacted budget, 28.6 cents of the total 30.0-cent per gallon State gasoline tax (95.3 percent) was dedicated to transportation related activities.

Current Law Gas Tax Allocation (in cents)

<u>Recipient</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 Rec.</u>
DOT	17.5	18.0	19.5	20.5	20.5	20.75	20.75
RIPTA	5.0	5.5	5.75	6.25	6.25	6.85	6.25*
General Fund	4.4	3.5	1.75	0.25	2.25	1.4	2.0*
DEA	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total:	28.0	28.0	28.0	28.0	30.0	30.0	30.0

* RIPTA's allocation would be reduced 0.6 cents in May 2004, and 0.6 cents would be transferred to the General fund.

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The majority of funding for Rhode Island transportation and highway construction spending is provided through the Federal Highway Administration (FHWA), under the authority of the Transportation Equity Act for the 21st Century (TEA-21). This act, passed in June 1998, authorized funds for highway construction, highway safety programs, mass transit operations, and other surface transportation projects for the following six years. Under this program, Rhode Island receives an average of \$165.0 million per year. The act combines the improvements set for current programs with new initiatives for improving transportation safety and traffic flow efficiency, enhancing communities, and advancing economic growth.

The DOT Highway Improvement Program (HIP) includes highway and intermodal projects that utilize federal funds administered by the FHWA, and highway transportation infrastructure projects financed by state funds (gas tax and bonds). The HIP implements DOT's capital program as identified in the state's Transportation Improvement Program (TIP). The TIP is a listing of transportation projects that the state plans to finance over a six-year period from federal highway funds. The Federal Highway Administration requires that all projects utilizing federal funds shall appear in an approved TIP. The TIP is adopted by the State Planning Council and approved by the Governor.

In Rhode Island, the TIP is the product of extensive public outreach to all communities, public interest groups, and citizens throughout the state by the agencies involved in transportation planning and project implementation. Following extensive public solicitation for the current TIP, highway projects are selected by a twenty-six member public body, known as the Transportation Advisory Committee (TAC), using criteria based on five major categories: mobility and benefits; cost effectiveness; economic development impact; environmental impact; and agreement with local and state goals and plans. Certain projects are reviewed by special public committees prior to selection for the TIP by the TAC. The transportation air quality subcommittee, assisted by DOT staff, conducts a solicitation and evaluation of Congestion Mitigation and Air Quality (CMAQ) proposals. A TAC subcommittee reviews new bicycle/pedestrian projects, and a DOT advisory committee solicits and evaluates application for funds earmarked in TEA21 for Transportation Enhancement activities.

The DOT Highway Improvement Program and Transportation Improvement Program emphasize the Governor's priorities for maintaining Rhode Island's existing transportation infrastructure after years of under-investment in preventive maintenance.

FY 2004 marks the beginning of an historic effort on the part of Rhode Island government to address the rebuilding and modernization of the state's transportation systems. In November 2003, the state issued \$269.8, the first series in a bond program that will generate \$660.5 million in construction funds (including bond proceeds of \$649.3 million and interest earnings thereon) for five major infrastructure projects. This undertaking will be financed through two funding mechanisms. The majority of the costs (\$544.4) will be provided through Grant Anticipation Revenue Vehicle bonds (GARVEE). GARVEE represents a program approved by Congress that allows state's to borrow funds, which are backed and repaid by the annual allocation of Federal Highway Administration construction funds. The first bond series provided \$229.5 of these funds for deposit in the construction fund. A supplemental revenue bond issue, secured by two-cents of the department's gasoline tax allocation, will provide another \$114.0 to this infrastructure initiative. The first series of motor fuel tax revenue bonds, also issued in November 2003, provided \$49.2 million for deposit into the construction fund. The projects being financed under this program are the I-195 Relocation, Washington Bridge Reconstruction, a new Sakonnet River Bridge, and the Quonset Rt. 403 construction, plus amounts for completion of the Freight Rail Improvement Program. The debt service on the GARVEE bonds (starting in FY 2005), to be paid through the FHWA allocation,

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is \$41.8 million. The gas tax revenue supported debt service on the Motor Fuel Tax revenue bonds dedicated to the trust account is estimated to be \$9.4 million in FY 2004 and \$9.6 million in FY 2005. Unlike general obligation debt service costs that are budgeted in the Department of Administration, these new debt service payments will be reflected in the DOT operating budget.

A description of the projects to be funded through the GARVEE and Motor Fuel Tax revenue bonds as well as the construction financing schedules can be seen in the Department of Transportation section of the Governor's five year Capital Budget document. The capital budget also includes funding for a new Intermodal Transportation Center. TEA-21 authorized \$25.0 million for the development of an Amtrak/commuter rail station and automated people mover connection from the Northeast Corridor rail line to T.F. Green Airport. In an effort to reduce traffic congestion in the airport area, a public/private partnership with the Rhode Island Airport Corporation (RIAC) and the rental car agencies has been proposed to develop a multimodal consolidated rental car facility. The facility would centralize all existing and future ground transportation services, including Amtrak Acela, commuter rail, RIPTA and intercity bus, and rental cars into one 3,500 space parking structure. This facility would be connected to T.F. Green Airport by a 1,300 foot automated people mover system. The cost for this facility is estimated to be \$169.5 million. The RI Airport Corporation's capital plan also includes security improvements and gate improvements at T.F. Green, as well as projects at the outlying airports.

The revised FY 2004 budget for DOT includes an increase of \$333,666 in gasoline tax revenue over the enacted budget. This revenue represents the department's FY 2003 closing cash balance. This surplus will be allocated to the Department's winter maintenance operation. Additionally, the Department will experience savings of \$787,500 in gas tax funded general obligation debt service costs. However, due to an anticipated increase in general obligation debt service costs to DOT of \$3.9 million in FY 2005, the department's FY 2004 revised spending plan will retain this savings as surplus for allocation in the FY 2005 budget.

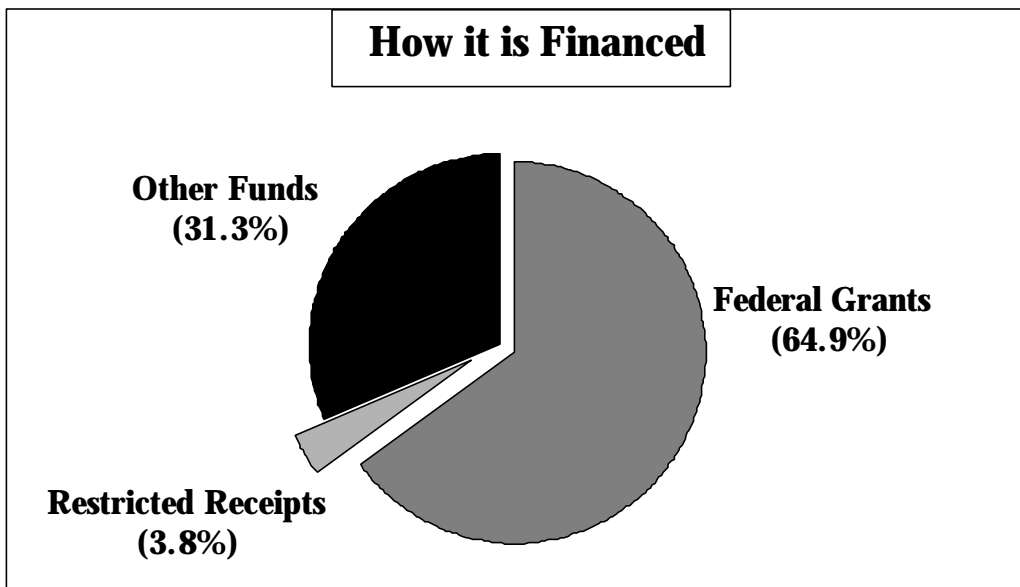
The Governor's revised FY 2004 budget includes additional funding for the Rhode Island Public Transit Authority as reimbursements from the Department of Human Services Rite Care program. This combination of general revenue and matching federal funds, for transit services utilized by Rite Care clients will provide \$976,667 of additional reimbursements to RIPTA in FY 2004, and \$5.9 million in FY 2005. In conjunction with this recommendation, the Governor recommends a statutory revision which would decrease RIPTA's gas tax allocation by six-tenths of one cent (\$0.006) starting in May 2004. The reduction in gas tax revenue for FY 2005 from this decrease is \$2.9 million. The net increase of reimbursements to RIPTA in FY 2004 will be \$504,667 and \$3.0 million in FY 2005. The department's FY 2004 revised budget for restricted receipt expenditures totals \$18.3 million, which is \$18.1 million below the enacted level. This reduction reflects adjustments to planning and construction schedule costs related to the Freight Rail Improvement Program.

For FY 2005, the total amount of gas tax revenue estimated for the ISTF is \$131.5 million. The allocation of this revenue includes \$99.6 million to the Department of Transportation, \$27.1 million to RIPTA, and \$4.8 million to the Department of Elderly Affairs. These figures are based upon an estimated yield of \$4.8 million per each cent of the State's gasoline tax. Projected transfers to the Department of Administration to finance transportation related general obligation bond debt service costs total \$632,579 for RIPTA and \$34.7 million for DOT. After these debt service transfers, net gas tax resources for operations are projected at \$64.9 million for DOT and \$26.5 million for RIPTA. As previously noted,

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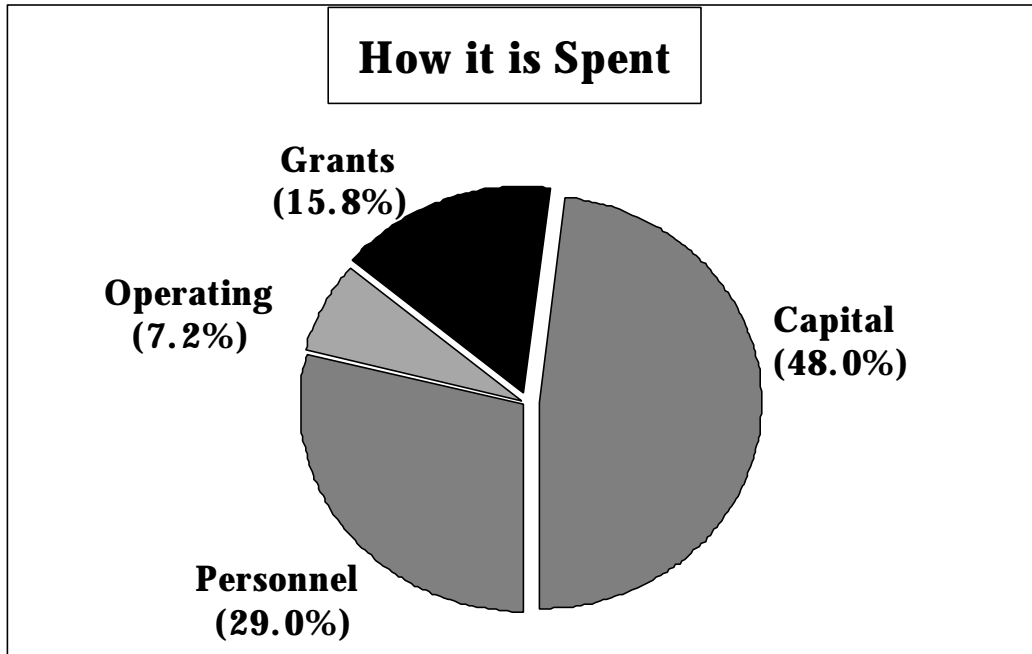
\$787,500 in additional gas tax revenue resulting from FY 2004 debt service savings will be utilized in FY 2005.

In FY 2005, recommended expenditures from all sources for transportation activities total \$319.7 million. The following chart illustrates the sources of financing for these expenditures.



Other/Gasoline Tax Funds total \$100.1 million or 31.3 percent of the expenditures for the Transportation function in FY 2005. For this source, \$24.6 million supports personnel costs, \$20.7 million supports operating costs (including winter maintenance operations for \$10.2 million and highway lighting for \$2.9 million), \$29.5 million provides operating assistance for RIPTA, \$15.7 million is allocated to infrastructure maintenance, repairs, and construction, and \$9.6 million is allocated to debt service costs related to the motor fuel tax revenue bonds. In FY 2005, federal funding totals \$207.4 million. This equates to 64.9 percent of the total transportation operating budget. Federal Highway Safety funds totaling \$9.0 million support grants to municipalities and other activities that promote highway safety programs. Restricted receipts totaling \$12.2 million represent costs associated with the ongoing Freight Rail Improvement Project (FRIP).

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In FY 2005, the department will continue to emphasize road and bridge rehabilitation and construction, support of mass transit services, and planning for both highway and mass transit operations. Through the Maintenance Program, the department dedicates funds to the preservation of road and bridge assets. These activities include pavement resurfacing, crack sealing, pothole repair, street and sidewalk sweeping, signage, highway light maintenance, and bridge washing. Snow and ice removal operations also fall under the management of this program. The recommended Maintenance budget for FY 2005 is \$39.5 million. This recommendation represents a nearly level funding amount with FY 2004.

The Engineering program, which totals \$265.8 million in FY 2005, finances personnel in public works, real estate, research and technology, construction, design, materials, and intermodal planning sections. RIPTA's portion of the state gasoline tax, totaling \$29.4 million, plus federal mass transit grants are also appropriated within this program. Total spending for Engineering consists of \$55.2 million in gasoline tax/other revenue, federal appropriations of \$198.5 million, and restricted receipt revenue expenditures of \$12.2 million. Included in the Engineering program is \$4.0 million in estimated revenue from the sale and/or lease of DOT properties. This revenue, along with \$30.0 million in general obligation bond funds, is utilized to meet matching requirements to federal funds provided under TEA-21. Additionally, the debt service costs associated with the GARVEE/Motor Fuel Revenue Bonds program will be reflected in this program. For FY 2005, The motor fuel revenue bond debt service will be equal to the value of two cents of the DOT gas tax allocation. This equates to \$9.6 million. The FHWA funded debt service is \$41.8 million.

The continued emphasis towards a more balanced multimodal transportation system extends to statewide mass transit programs. As noted above, operating assistance of \$29.4 million to the Rhode Island Public Transit Authority will be financed from a 6.25-cent allocation of the gasoline tax. Not depicted in the DOT budget is \$5.9 million in enhanced funding directed to RIPTA from Department of Human Services accounts for Medicaid client transit passes, which will augment RIPTA's FY 2005 financial plan. One cent of the gas tax that is not included in the Department of Transportation budget supports the efforts of

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the Department of Elderly Affairs. This funding is intended to streamline and enhance elderly and handicapped transportation services. Much of this allocation is transferred to RIPTA to underwrite pass programs for the elderly, and to finance compliance costs statewide associated with Americans with Disabilities Act requirements.

Five-Year Financial Projection

FY 2005 – FY 2009 Overview

This Five-Year Financial Projection has been prepared pursuant to Section 35-3-1 of the Rhode Island General Laws, which requires that the Budget Officer:

- (6) Prepare a five year financial projection of anticipated general revenue receipts and expenditures, including detail of principal revenue sources and expenditures by major program areas, which projection shall be included in the budget submitted to the general assembly pursuant to subsection 35-3-7.

The five-year projection includes tables that present anticipated revenues and expenditures during the five fiscal years ending in June 2009. Tables which detail planning values are also included. The planning values reflect policy assumptions as well as economic and demographic forecasts.

The purpose of the five-year forecast is to provide a baseline fiscal outlook for the State of Rhode Island. Although the forecast may be utilized as a benchmark in assessing the affordability and desirability of alternative policy options, caution should be exercised in the interpretation of the forecast.

The economic forecast was developed by the principals of the November 2003 Revenue Estimating Conference with input from the consulting economists at Economy.com and Global Insight and respective staff. This forecast truly serves as a “best guess” as to the future path of the Rhode Island economy since no formal economic model was employed by the conferees in arriving at the forecast. A detailed analysis of the conferees near-term economic forecast for the State is contained in ***The Economy*** section of this document. In that section, particular attention is paid to how the state fared relative to the other New England states during the past calendar year with respect to non-farm employment and personal income growth. In addition, a brief comparison of the actual economic performance of the State against the economic forecast contained in the FY 2004 budget is undertaken. Finally, the FY 2005 economic forecast is presented and it is contrasted with the economic forecast that was made for the FY 2004 budget with particular attention being paid to why and to what extent the current forecast was revised from the previous one.

The economic outlook presents the greatest risk to the economic forecast. Of particular note, the performance of the U.S. economy in its recovery phase will have a substantial impact on the performance of the Rhode Island economy. If the U.S. labor market continues to struggle to add jobs during the next few years, then it would likely be difficult for the Rhode Island economy to maintain employment growth rates in excess of 1.0 percent for the FY 2005 through FY 2007 period. Conversely, if the U.S. economy overcomes these obstacles to job creation, it may be the case that Rhode Island’s labor market enters into a more sustained period of strong non-farm employment growth.

Another risk to the forecast is attributable to capital investments that have been proposed in the FY 2005 budget. A complete assessment requires one to calculate the direct, as well as indirect, effects of such investments on the State’s economy. For example, the Governor’s FY 2005 Jobs Agenda contains proposals that make significant capital investments in the State’s emerging biotechnology industry cluster and in the Quonset Point/Davisville Port and Commerce Park. These capital investments are designed to provide Rhode Island with the necessary infrastructure and human resources to foster greater economic development in the state. In forecasting the impact of these capital investments, an estimate of both the debt service cost attributable to the investments and the secondary impacts of increased employment in high wage occupations are desirable. Unfortunately, projecting the ancillary effects of such capital investments on employment and personal income is not a simple task. Typically, the value-added of such capital investments are known ex post and thus these types of projects are better suited to “scorecard” type assessments of effectiveness. In the five-year revenue projections, the beneficial effects associated

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with these capital investments (i.e., increased personal and corporate income tax collections that result from increased employment in the effected industries) are not captured.

A final risk to the forecast involves the actions of other economic agents over which the State has no control. These agents include, but are not limited to, neighboring states. The fiscal policies of neighboring states can have either a positive or negative impact on Rhode Island's small open economy. Interestingly, these impacts can be either positive or negative for Rhode Island depending on what actions are taken. For example, an increase in Massachusetts' effective business taxes, due to either an increase in tax rates or the reduction of previously available tax incentives, could provide Rhode Island with a competitive advantage vis-à-vis Massachusetts, *ceteris paribus*, and give the State's economy an unexpected boost. Conversely, a decrease in Massachusetts' effective business taxes could have the opposite impact on the State's economy. Either way, these types of external policy choices are not explicitly incorporated in the five-year forecast.

The five-year revenue forecast makes substantive assumptions concerning the Rhode Island Lottery's required transfer to the general fund. First, the five year forecast does *not* include the addition of the 1,011 video lottery terminals (VLTs) that have been authorized but not installed at Lincoln Park and Newport Grand. The installation of these new VLTs requires that each facility build a structure to house them. At this point in time, neither facility has been willing to undertake this construction without having a long-term contract with the State that will guarantee their percentage allocation of the net terminal income generated by the VLTs installed at their facility. The five-year revenue forecast does incorporate the State's share of the net terminal income generated from the 714 additional VLTs that were installed last year. Second, the Governor has proposed to eliminate the payment the dog kennel owners at Lincoln Park receive from the VLT revenue that is generated there and this proposal has been incorporated into the five-year revenue forecast. Finally, the five-year revenue forecast does *not* include any potential revenue to be derived from the proposed Narragansett Indian Casino in West Warwick. Given the Governor's strong opposition to the establishment of a resort casino in Rhode Island within the next five fiscal years, the prudent course is to assume the status quo with respect to the sources of State gaming revenues. The five-year revenue projections for The Lottery's transfer to general fund are dependent on the actual events that transpire with each of these unknowns and, as a result, the revenue projections contained herein could differ considerably in the future. The forecast assumes declining growth rates in VLT revenues reflecting some level of gaming market saturation.

The five-year projection also includes the transfer of six-tenths of one cent of the State's \$0.30 per gallon gas tax from the Rhode Island Public Transit Authority (RIPTA) to the general fund. The actual transfer of this six-tenths of one cent began with the FY 2004 supplemental budget. The transfer of this portion of RIPTA's share of the gas tax is necessitated by proposed changes to the transportation program for RIte Care members. By making this change, the State will be able to leverage additional federal monies and enhance RIPTA's revenue base. In the FY 2003 enacted budget, the General Assembly increased the gas tax by two cents from \$0.28 to \$0.30 per gallon with the two cents designated for general revenues. This action restores the general fund financing formula passed by the General Assembly. The five-year projection reflects this change in the allocation of the gas tax.

In addition, the five-year projection also includes the \$0.75 per pack increase in the cigarette tax proposed by the Governor in his FY 2005 budget. This increase in the state cigarette tax is projected to return \$34.2 million in FY 2005 in cigarette tax revenues and \$2.4 million in additional sales tax revenues. The five-year revenue projections uses these values as a base and then decreases them over time to capture the overall decline in the consumption of cigarettes over the forecast period. Even after this decreasing consumption is accounted for, cigarette taxes and sales taxes collected on cigarette

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purchases are estimated to be in excess of \$30.0 million dollars in the out-years.

Further, as a result of the Governor's Fiscal Fitness program numerous revenue enhancements are included in the five-year forecast. Overall \$13.7 million in Fiscal Fitness revenue proposals are included in the Governor's FY 2005 budget. The category most impacted by Fiscal Fitness revenue proposals is tax collections where \$9.2 million of them are included in the FY 2005 budget. These revenue enhancements are included in the forecasted values for taxes in the five-year projection. The general revenue category that is second most affected by the Governor's Fiscal Fitness revenue proposals is departmental receipts. In the Governor's FY 2005 budget, approximately \$4.5 million in Fiscal Fitness revenue proposals are included in departmental revenues. These revenue enhancements are included in the forecasted values for departmental receipts in the five-year projection.

Finally, beginning in fiscal year 2000, income on bond proceeds was no longer included in general revenue. Instead, the income was to be dedicated to a sinking fund that was to be used to pay off outstanding debt, pursuant to legislation enacted by the 1998 General Assembly. Because of the state's improved debt position, the Governor recommends that income on bond proceeds once again be included in the general fund, as was the case in fiscal years 2001–2004. The five-year revenue projections also assume that this transfer from the sinking fund to general revenue continues over the FY 2006 to FY 2009 period.

Expenditure side risks must also be noted within the five-year projection. One of the greatest expenditure side risks relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. Costs for state employee medical insurance alone will have nearly doubled over the five-year period spanning fiscal 1999 to 2004. While costs for medical care will continue to be a major underlying driver of state personnel costs in the forecast, it is assumed that there will be a deceleration in the rate of growth through fiscal 2009. More importantly however, the forecast assumes that state employees will accept the Governor's proposal to share in the cost of medical insurance premiums by contributing 7 percent of the premium in fiscal 2005 and 11 percent and 15 percent in fiscal 2006 and fiscal 2007 respectively. As the planning values table demonstrates, this would significantly reduce the growth in net employer costs in the out years to 3.4 percent in fiscal 2006 and 3.1 percent in fiscal 2007.

As alluded to above, potential changes in employee contracts represent yet another significant unknown factor in the five-year expenditure forecast. Most union contracts will expire at the close of fiscal 2004. Spiraling health care costs will obviously play a significant role in discussions with union membership, as will cost of living adjustments (COLA). The projections assume that a 2 percent COLA will be provided in fiscal years 2005 through 2007. The final two years of the projection assume COLAs that equal the rate of increase in the CPI.

Due to the rising costs for medical care and the anticipated reporting standards to be issued by the Governmental Accounting Standards Board (GASB) for Other Post Employment Benefits (OPEB), the state has commissioned an actuarial study evaluating the accrued actuarial unfunded costs for the retiree health benefits program. Under the anticipated new reporting requirements the state will be required to reflect any accrued actuarial unfunded costs on its financial statements by fiscal year 2008. As anticipated these costs will have significant long-term implications for the state's finances. In fact, the annual actuarially-based employer contribution for retiree health costs would increase from a projected \$5.4 million in fiscal 2005 to \$41.9 million in fiscal 2008 and have been incorporated in the five-year

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projection.

Another significant risk is the annual employer contribution required to be made to the State Employees Retirement fund on behalf of state employees and teachers. Based on a recent actuarial study, the employer contribution rates are anticipated to accelerate on the order of 70-80 percent, and have been reflected in the projections.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. The recent explosive growth in the prison population also poses substantial risks for both operations costs and capital infrastructure needs. The projection assumes that future inmate population growth will quickly decelerate to reflect recent historical averages. The accuracy of this assumption will ultimately rest upon the success of efforts to create efficiencies in the criminal justice system and efforts to modify sentencing policy in the Judicial branch towards greater community-based versus institutional-based sentencing, as well as the exploration of early release options.

The five-year projection anticipates average annual revenue growth of approximately 4.7 percent beyond the budget year, based upon the November 2003 Revenue Estimating Conference forecast for the Rhode Island economy. The forecasts used here do not assume any significant downward swings in the economy.

Personal income is forecast to grow at an annual rate of 4.1 percent, employment at 1.1 percent, and wage and salary disbursements at 4.4 percent. These variables and other assumptions are shown in the tables that follow.

The expenditure-side of the budget is estimated to increase at an average annual rate of 6.0 percent from the FY 2005 base to FY 2009. Inflation however, as measured by the CPI, is expected to grow at an annual rate of 2.2 percent. A number of factors are responsible for the rate of growth above inflation. A brief explanation is provided below, followed by a more detailed discussion for each of the major categories of expenditure.

The largest factor in overall spending growth is anticipated to occur in the category of aid to local units of government. Expenditures for local aid are expected to expand by approximately \$256.0 million, largely driven by growth in the Education Aid, General Revenue Sharing and the Motor Vehicle Reimbursement programs. Percentage growth in this total category of expenditure is projected to average 6.1 percent and is largely driven by an assumed percentage increase in General Revenue Sharing of 18.9 percent a year over this same time period.

The next largest dollar increase in overall spending is anticipated to occur in state operations costs - \$233.9 million, followed by grants and benefits - \$228.4 million. However, it is capital costs that are anticipated to display the largest percentage change over the forecast horizon with growth averaging 13.1 percent annually. Capital costs are expected to increase by \$48.9 million from FY 2005-FY 2009. This unusual rate of increase reflects a shift of \$21.8 million in debt service costs from RICAP to general revenue funding, new debt service costs associated with the financing of the juvenile training school, Kent County Courthouse, Traffic Tribunal, and State Property Rehabilitation Project (\$12.1 million), and the debt service on new general obligation bond issuance.

Given the FY 2005 budget base, expenditure side growth is anticipated to exceed revenue growth in each of the out years projected. This results in operating deficits in each year, that increase in value from \$68.9 million in fiscal 2006 to \$177.8 million by fiscal 2009. In percentage terms, the deficits are projected to total 2.2 percent of spending in fiscal 2006, increasing to 4.8 percent by the end of the

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projection period. It should be noted however, that the Governor's plan to implement an additional \$142.0 million in fiscal fitness initiatives in fiscal 2006, which are not currently reflected in the FY 2005 base amounts, will virtually eliminate any structural gaps between expenditures and revenues.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume that a 2 percent COLA will be provided in fiscal years 2005 through 2007. The final two years of the projection assume COLAs that equal the rate of increase in the CPI. In addition, on-going increases for steps and longevity equal to 2 percent annually on a statewide basis have been incorporated in the estimated salary component.

Reflecting the Governor's proposal for medical benefits cost-sharing, the forecast assumes that state employees will contribute a share of the cost of medical insurance premiums by contributing 7 percent of the premium in fiscal 2005 and 11 percent and 15 percent in fiscal years 2006 and 2007 respectively. As the planning values table demonstrates, this would significantly reduce the net employer costs in the out years to 3.4 percent in fiscal 2006 and 3.1 percent in fiscal 2007.

In addition, based on a recent actuarial study, the employer contribution rates for the state employees retirement system are anticipated to accelerate on the order of 70-80 percent, ranging from 11.51 percent in fiscal 2005 to 20.75 percent in fiscal 2009. These rates have been reflected in the projections, with costs expected to increase from \$41.3 million in fiscal 2005 to \$87.9 million by fiscal 2009.

Finally, the personnel projections reflect the actuarially determined annual employer contribution that would be required to amortize the unfunded liability with respect to retiree health benefits. Based upon the study, this rate would be equal to 8.57 percent of payroll. The projections assume implementation in fiscal 2008 and result in an increase in the state's contribution of \$36.5 million in that year.

As shown in the expenditure tables, additional staffing is assumed to be required due to estimated caseload growth in the Department of Children, Youth and Families and Department of Corrections. This increases the overall state personnel requirements in order to finance these additional staffing needs. Upcoming contract negotiations are not assumed to alter other statewide staffing requirements during the five-year horizon.

Caseloads in the Department of Children, Youth and Families are projected to grow 8.7 percent from the fiscal 2005 base. When combined with cost inflation, this growth increases personnel and operating expenditures by \$9.6 million and payments for provider services by \$15.1 million during the FY 2005 - FY 2009 period. The projections are based upon an analysis of actual caseload growth trends since FY 1993 and reflect a reduction in annual average growth from 2.6 percent to 2.1 percent in the current projections. Caseload growth translates directly into increased costs for supporting services, and both contracted and purchase-of-service placements.

Projections of inmate growth for the Department of Corrections are also a key determinant in projecting statewide staffing needs. Although the inmate population grew at an average rate of 3.3 percent per year from FY 1990 to FY 1996 overall, growth slowed after 1996 to 2.1 percent per year, and in FY 2002, inmate population grew by only 1.3 percent. In FY 2003 however, inmate population rose again to an average of 3,537 from the FY 2002 average of 3,387, an increase of 6.9 percent. In FY 2004, population increased further to a peak of 3,638 in September 2003. Population has since declined somewhat to 3,528 in December 2003 due to seasonal factors. The Institute on Crime, Justice and Corrections at George Washington University has been contracted by the Department of Corrections to

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provide a multi-year forecast of the State's adult inmate population. The forecasts were generated using the Prophet Simulation Model and used assumptions mutually agreed upon by the contractor and the Department. This model suggests an average 2.2 percent growth rate for the period FY 2004-FY 2008. This tracks reasonably well with national trends. The Bureau of Justice Statistics' Bulletin, "Prisoners in 2002", reports that nationally, the prison growth rate appears to have turned around, from the FY 2001 rate of increase of 0.8 percent (the lowest since 1979), to an FY 2002 rate of increase of 3.5 percent. Nevertheless, the average annual growth for the past three years remains at 2.4 percent, as compared to the six-year average growth of 3.3 percent.

For this reason, the Budget Office concurs with the Department in projecting that the FY 2004 average population estimate will attain 3,600 in FY 2004 and 3,640 in FY 2005, an annual average growth of 1.7 percent. Several factors are thought to account for the sudden increase, including more arrests (due to demographic changes or a stagnant economy) and longer sentences, especially for domestic violence offenders, gang members, and probation violators, as well as a decline in use of the home confinement option. For these reasons, the Rhode Island's population is expected to continue to grow, although at a slightly lower rate than the previous five-year estimate of 1.9 percent. Prison population is forecast to increase from 3,600 inmates in FY 2004 and 3,640 in FY 2005 to 3,886 inmates in FY 2009. This reflects annual growth of 1.7 percent over the period FY 2005-FY 2009, or approximately 61 additional state inmates per year, plus an estimated 70 federal detainee for each year. It should be noted that the Budget Office estimate is lower than the Department's 2.2 percent overall estimate. The former estimate runs ahead of the latter in the period FY 2004-FY 2007 by a total of 39 inmates, but falls behind in the out-years of FY 2008 and FY 2009 by 72 inmates for a net overall difference of 33. Given the history of past uncertainties and overestimates in forecasting long-term inmate population growth, the Budget Office recommends the lower 1.7-percent estimate.

In response to inmate population growth, the Criminal Justice Oversight Committee, formed in 1993 in response to the federal court settlement on population caps, has warned that the "surge in the inmate population has both legal and fiscal implications". The Committee is prepared to serve as a forum for review and recommendations regarding all criminal justice operations. The Department has also indicated that, short of building more facilities, there would seem to be only two options for reducing inmate population: early release to allow for reduction of the inmate census in response to budgetary constraints, and sentencing reform (drug treatment options, release of elderly and/or non-violent offenders) to allow for alternatives to long incarceration such as those proposed by other states.

The growth of the population within the institutions highlights the opportunity to explore programs and alternatives to address the growing community-based offender population, consisting of those under the supervision of the probation, parole, and home confinement programs. The number of adult probationers and parolees serviced has increased an average of 6.1 percent per year since FY 1990. According to the Bureau of Justice Statistics' report on Probation and Parole in 1999, Rhode Island has the fourth highest rate of probation supervision per capita in the nation. The most recent annual report from the Criminal Justice Institute shows that Rhode Island has the highest probation caseload in the country, 1:320 (Criminal Justice Institute's 2001 Corrections Yearbook). On the other hand, although Rhode Island's home confinement population grew 50.7 percent between FY 1995 and FY 2003, all of this growth came in the period before 2001. In FY 2002 and FY 2003, the number in home confinement actually fell by an average of 7.2 percent to 214, and FY 2004 first half-year average is only 211.

Exploration of construction and programming options is crucial even with the anticipated slower growth of the inmate population. In 1979, there were 730 inmates at the ACI. The average inmate population in fiscal year 2003 was 3,537, representing growth of three hundred eighty-four percent over the twenty-

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four year period. Assuming continued growth, even at the lower 1.7 percent rate now forecasted, the inmate population is anticipated to approach, if not exceed, the current operational capacity of 3,922 by FY 2010. Of particular concern are the populations held in the Maximum Security facility, the Price and Moran medium security facilities, Men's Minimum Security, and the women's McDonald facility. All have been approaching capacity and have been for a number of years. Bed space availability in other facilities cannot be used to alleviate overcrowding in the above-mentioned facilities, as they are not designed to hold inmates classified to different security levels.

The Department utilized Violent Offender Incarceration – Truth in Sentencing Act funds to conduct a Siting and Construction Options Study. This study provided an in-depth analysis of offender populations and trends, offering critical guidance for future new construction and facility renovations. The original Siting and Construction Options Study allowed the department to develop a comprehensive ten-year plan that considers the various sub-populations, overall population forecasts, efficiency and effectiveness of existing facilities, and future construction needs for both institutional and community-based facilities. In addition to the impact of the forecasted population, the age and design of the facilities at the ACI are factors in planning for capital development. In the original study, the Department contemplated five capacity expansion projects: A 24-bed expansion of the Segregation Unit at the Moran Medium Security facility; a 192-bed addition to the High Security Center; a 360-bed expansion of the Maximum Security facility; the construction of four Community Corrections Centers; and renovations at the Dix facility that will allow for expanded bed space for low and medium security women inmates. The first four of these projects required additional state funds, to be obtained through the certificates of participation; these projects were not approved.

Nevertheless, the passage of time, tightening budgetary constraints, opposition to community-type corrections facilities, reduction in the number of female inmates, and a renewed emphasis on sentencing reform and early release as a possible alternative to construction, has presented major challenges for development of the capital budget for the Department. Of the projects contemplated above, only the Dix facility project and the Women's Industrial/Educational Annex have been included in the current capital plan. The Department has indicated the need to update the Carter-Goble Siting and Construction Options study to reevaluate alternatives to providing future bed space requirements (one alternative would be the addition of two housing modules of 192 beds each at Moran-Medium Security). The Governor has therefore recommended the expenditure of \$100,000 in Rhode Island Capital Plan funds in FY 2006 for the update.

Grants and Benefits

Grants and Benefits are projected to increase by 5.5 percent annually, largely reflecting expanding demand for and utilization of medical care. Most of this growth is reflected in the Department of Human Services budget, since this department is responsible for managing the state's Medicaid program.

The forecast for Department of Human Services grants and benefits is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF) and the Rhode Island Family Independence Program (FIP) will meet their stated objectives during the forecast period, and that federal block grants and Medicaid matching grants will continue at current levels.

Eligibility standards for TANF/FIP cash assistance are maintained at current levels throughout the forecast period, and the forecast assumes that eligibility and economic influences on caseloads will result

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in reductions of six percent of cases annually. An additional reduction of approximately 310 persons annually is assumed for client attainment of a five-year limit on FIP eligibility. Adult clients reaching the time limit can be removed from cash assistance. Federal provisions require the state to achieve eighty percent closure of these adult clients; children in such households will continue to receive cash assistance. The forecast assumes that twenty percent of parents will receive exemption waivers. Due to maintenance of effort requirements for general revenue support, savings accrue to the federal block grant account. The Governor's budget proposal to implement full family sanctions when the adult member(s) fail to satisfy employment plan requirements is included in the FY 2005 recommendation, and its effects continue in the forecast years.

Savings in cash assistance will be offset by substantial additions in child care subsidies, which are extended to the working poor even after entry of cash assistance clients to unsubsidized employment. Child care slots are assumed to increase annually through the forecast period, and include adjustments for increased utilization by clients exhausting cash assistance. A proposal in the Governor's FY 2005 budget to reduce eligibility limits for assistance from two hundred twenty-five (225) percent of the federal poverty limit to two hundred (200) percent is included in the base cost and continues through the forecast period. Four percent market rate adjustment are assumed every other January, pursuant to state statutes. These effects are reflected in the tables. However, the full impact of additions to child care costs is not represented in the net general revenue costs. It is assumed that, as in the past, TANF federal block grant funds will be reallocated to finance child care costs. Continuous expansion of child care slots is assumed at three percent annually, and results in annual increases in general revenue, with substantial offsets to block grant funds available from the cash assistance caseload declines noted above. By FY 2009, FIP cash assistance savings are estimated to reduce general revenue expenditures for child care by \$18.4 million. Cash assistance expenditures and other eligible support costs, are still greater than the required maintenance of effort from general revenue funds to qualify the state for continued TANF block grant eligibility. The net result is that total annual general revenue expenditures for cash assistance and child care increase marginally in each year of the forecast period after FY 2006.

SSI caseloads will increase slightly, as the elderly population is forecast to increase marginally over the five-year period. More influential are higher rates of increase in the disabled population.

Medicaid costs are assumed to reflect continuous changes in service delivery systems, such as reduced institutional care and greater participation in independent living and treatment arrangements, and managed care arrangements with client cost sharing. Based upon population trend data, marginal increases in long-term care caseloads are projected. Nursing home costs are forecast to inflate by 2.9 percent annually. A proposal by the Governor to postpone a statutory adjustment for nursing facility reimbursements in FY 2005 is assumed for implementation in FY 2006.

All other Medicaid costs, except managed care, are estimated to increase by 8.7 to 9.1 percent annually. This category assumes a continuation of uncompensated care payments to state and community hospitals in each year. The managed care forecast assumes that costs will increase in line with federal CMS assumptions regarding expenditure growth for national health care. (See Planning Values Table). Proposals in the Governor's Budget to maximize reimbursements and client eligibility determinations are included in the FY 2005 base and are assumed to continue through the forecast period. All general revenue Medicaid costs recognize marginal increases forecast from reduced federal matching rates in FY 2006.

Recognition of the recently enacted Medicare Prescription Drug, Improvement and Modernization Act of 2003 is currently limited to the \$600 discount card provided through the State's RIPAE program.

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Additional opportunities for shifting RIPAE costs to the full Medicare prescription benefit are not possible to estimate at this time.

The forecasted expenditures, within the Developmental Disability system, of \$85.5 million in FY 2006 to \$97.3 million in FY 2009, indicate an average growth rate of approximately 4.4 percent. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program, are reflected in Department of Human Services' grant costs. Although the growth in expenditures, in this program, have been relatively stable over the last two to three year period there are several factors which could significantly affect the expenditures during the forecast period. These include greater public awareness of the availability and therefore the utilization of services, the aging of caregivers and the aging of the existing population. The aging of the caregivers places a significant burden on the residential portion of this program. Clients who were cared for by their parents often require residential placement when the parents are no longer able to care for them. The age of the existing client population will also have an effect on the future cost of care. As with the general population in society, the baby boom is reaching retirement age, and many clients are facing diseases and or complications associated with aging in addition to their existing disability. This can increase both the nature and quantity of services required to maintain a client's quality of life. Public awareness activities, sponsored by both the department and by consumers of service, have and will continue to lead to greater utilization, at the earliest possible age, of the full range of services for which clients are eligible.

Local Aid

Local aid expenditures include education aid, aid to local libraries, the PILOT program, Aid to Distressed Communities, Police and Fire Incentive payments, the Motor Vehicle Excise Tax Reimbursement, General Revenue Sharing and the Property Reevaluation program. Average growth in these programs is assumed to equal 6.1 percent over the projection period. Within this major component, only one program area of spending is not expected to exceed inflation – the Property Revaluation program.

In dollar terms, the largest driving force behind expenditure growth is accounted for by Education Aid programs, which is expected to increase by a total of \$171.2 million from the FY 2005 base level. This reflects an estimated 3 percent annual growth in education aid. Housing Aid, Teachers Retirement, Met Schools and Charter Schools are considered separately in terms of growth assumptions. As previously noted, actuarial projections for future required employer contribution rates to the teacher's retirement fund have been incorporated in the local aid estimates. This results in state contributions for teacher's retirement increasing from \$52.6 million in fiscal 2005 to \$111.1 million by fiscal 2009, an increase of \$58.5 million or 112.2 percent. In addition the estimates assume that the 6 Metropolitan Schools reach full enrollment in fiscal 2006 and that costs per student rise by 5.5 percent a year, based on projections for teacher payroll costs. Finally, it is assumed that one new Charter school is added each fiscal year and that enrollment at each of the new schools grows by 60 students per year. Based on these assumptions for new schools and increases in enrollment for existing schools, Charter School costs are estimated to rise from \$19.0 million in fiscal 2005 to \$32.7 million by fiscal 2009, an increase of 72 percent.

The General Revenue Sharing program is the next largest contributor to growth, with a projected increase of \$51.3 million. It is also anticipated that this program will lead this component in terms of percentage growth, increasing by an average of 18.9 percent per year. This reflects not only underlying tax revenue growth, but an increase in the percentages allocated to municipalities which is expected to equal 3 percent in FY 2006 and rise to 4.1 percent of tax revenues by FY 2009.

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Payments for the Motor Vehicle Tax Reimbursement program are anticipated to add an additional \$21.7 million to total expenditure requirements over the forecast period. This reflects the growth in reimbursements due to anticipated growth in municipal tax rolls which are expected to result in average annual growth of 4.8 percent in expenditures from the fiscal 2006 base.

Capital

The projection of debt service costs reflected updated debt service projections as included in the FY 2005 – FY 2009 Capital Improvement Plan. The plan calls for the issuance of general obligation bonds in FY 2004 of \$80 million, and \$100 million thereafter. It is assumed that interest on the general obligation bonds issued will be 4.5 percent for twenty year fixed rate debt, and 2.5 percent for outstanding variable rate debt. It reflects the diminishing benefit of the debt service savings resulting from the debt defeasance using tobacco securitization proceeds. In FY 2005 the general revenue appropriation for debt service reflects debt service savings of \$26.9 million from defeasance; these savings decline to \$20.7 million by FY 2009 and result in a \$6.2 million increase in projected requirements.

The projected general revenue requirements for debt service is dependent upon the allocation of debt service costs to other sources of funds. In FY 2002 through FY 2005, the budget recommendations to defer some capital projects provided budgetary relief, but resulted in a structural imbalance in FY 2006 when those funds are redirected to capital projects rather than debt service. The projection assumes that Rhode Island Capital Plan funding for debt service will decline from \$32.3 million in FY 2004 to \$21.8 million in FY 2005. In FY 2006 and thereafter, zero debt service will be funded from the Rhode Island Capital Plan funds. This results in increased general revenue appropriations for debt service of \$21.8 million from FY 2005 to FY 2009. Disbursements of \$55.8 million, \$54.3 million, \$56.9 million, \$56.0 million and \$49.4 million over FY 2005 to FY 2009 are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five year report as operating costs.

It is assumed that the Department of Transportation general obligation debt service funded by gas tax revenues in FY 2005 through FY 2009 will total \$34.7 million, \$36.9 million, \$41.4 million, \$36.6 million, and \$38.0 million respectively. It is assumed that the two cents of the gas tax dedicated to Motor Fuel bonds issued by EDC is equal to \$9.6 million annually. It is assumed that the Rhode Island Public Transit Authority debt service funded by gas tax revenues in FY 2005 through FY 2009 will total \$.6 million, \$.7 million, \$.8 million, \$.8 million, and \$.9 million respectively. This is based upon the issuance of bonds consistent with the FY 2005 - FY 2009 capital budget. It reflects the issuance of \$32.3 million, \$32.5 million, \$32.5 million, \$30.0 million, and \$30.0 million in FY 2005 – FY 2009 for the Department of Transportation. It reflects issuance of \$0.52 million, \$1.1 million, \$1.54 million, \$.45 million and \$.55 million in FY 2005 to FY 2009 for the Rhode Island Public Transit Authority.

Obligations for McCoy Stadium are estimated at 2.5 percent, reflecting an average estimate of the variable rate interest costs to be paid on the balance of this debt. Obligations arising from the Kent County Courthouse (\$51.8 million) and the Juvenile Training School (\$57.8 million) are assumed to be financed by general revenues, and interest is assumed at 4.5 percent. Debt service costs for these projects increase by \$5.4 million from \$3.3 million in FY2005, which reflects only interest, to \$8.7 million in FY 2009. Additionally, the Traffic Tribunal and State Property Rehabilitation Projects add \$6.7 million of debt service not present in FY 2005. Rhode Island Refunding Bond Authority costs are \$4.8 million higher in FY 2009 due to the up-front savings in FY 2005 of an April 2004 refunding.

The obligations arising from the performance based contracts between the Rhode Island Economic

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Development Corporation and private entities are projected to result in state appropriations due to the projected achievement of performance targets. The FY 2005 forecast includes \$1,100,000 for Fidelity, zero for Fleet, and \$3.7 million for Providence Place Mall. In FY 2006 and thereafter, it assumes the Fidelity and Providence Place Mall obligations are funded at the maximum level of \$2.5 million, and \$3.6 million, respectively. The forecast assumes no requirement for the Fleet obligation, which if earned would total approximately \$.3 million.

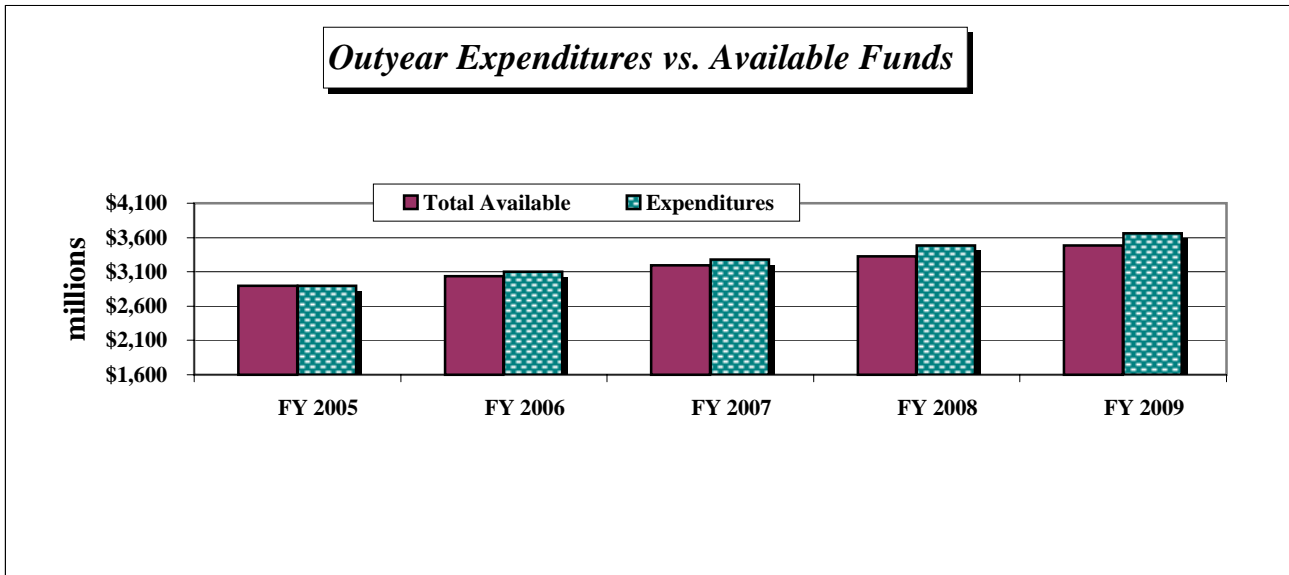
Other

It is assumed that the cost associated with the issuance of tax anticipation notes remains constant at the \$.4 million level.

The projection also assumes that disbursements for capital projects from general revenues would be \$.8 million in FY 2005, \$3.4 million in FY 2006, \$2.1 million in FY 2007, \$1.7 million in FY 2008 and \$.8 million in FY 2009. This reflects capital projects funded by general revenues which are contained in the FY 2005 - 2009 Capital Budget, such as the Rose Hill Landfill remediation project.

General Revenue Outyear Estimates FY 2005 - FY 2009

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Opening Surplus	\$0.1	\$0.3	\$0.0	\$0.0	\$0.0
Plus:					
Taxes and Departmentals	2,595.6	2,706.0	2,827.9	2,931.8	3,050.4
Other Sources	362.7	391.3	428.5	466.5	509.2
Budget Stabilization Fund	(59.1)	(61.9)	(65.1)	(68.0)	(71.2)
Total Available	2,899.3	3,035.7	3,191.3	3,330.3	3,488.4
Minus Expenditures	2,899.0	3,104.2	3,276.0	3,487.6	3,666.2
Equals Ending Balance	\$0.3	(\$68.5)	(\$84.7)	(\$157.3)	(\$177.8)
<i>Operating Surplus or Deficit</i>	<i>\$0.2</i>	<i>(\$68.9)</i>	<i>(\$84.7)</i>	<i>(\$157.3)</i>	<i>(\$177.8)</i>
Rhode Island Capital Fund					
Budget Stabilization Balance	\$88.8	\$92.9	\$97.7	\$101.9	\$106.8
Capital Fund Balance	0.1	0.0	0.0	0.0	0.0
Debt Service Disbursements	21.8	0.0	0.0	0.0	0.0
Capital Projects Disbursements	34.1	57.7	60.3	63.7	66.4
Total Disbursements	\$55.8	\$57.7	\$60.3	\$63.7	\$66.4



General Revenue Outyear Estimates

	FY 2006	FY 2007	FY 2008	FY 2009
Personal Income Tax	\$960,740,000	\$1,012,130,000	\$1,054,150,000	\$1,102,920,000
General Business Taxes:				
Business Corporations & Franchise	81,320,000	84,550,000	87,600,000	90,760,000
Public Utilities	80,580,000	82,220,000	83,740,000	85,220,000
Financial Institutions	8,900,000	9,260,000	9,590,000	9,940,000
Insurance Companies	53,270,000	55,150,000	57,020,000	58,890,000
Bank Deposits	1,790,000	1,830,000	1,870,000	1,910,000
Health Care Provider	47,440,000	49,910,000	52,480,000	55,170,000
General Business Taxes	\$273,300,000	\$282,920,000	\$292,300,000	\$301,890,000
Sales and Use Taxes:				
Sales and Use	897,540,000	950,410,000	994,790,000	1,046,890,000
Motor Vehicle	51,880,000	53,270,000	54,460,000	55,580,000
Motor Fuel	730,000	730,000	740,000	740,000
Cigarettes	149,160,000	147,080,000	145,040,000	142,850,000
Alcohol	10,790,000	10,970,000	11,160,000	11,340,000
Controlled Substances	0	0	0	0
Sales and Use Taxes	\$1,110,100,000	\$1,162,460,000	\$1,206,190,000	\$1,257,400,000
Other Taxes:				
Inheritance and Gift	29,600,000	30,900,000	32,200,000	33,500,000
Racing and Athletics	4,600,000	4,500,000	4,600,000	4,800,000
Realty Transfer Tax	11,200,000	11,600,000	11,900,000	12,100,000
Other Taxes	\$45,400,000	\$47,000,000	\$48,700,000	\$50,400,000
Total Taxes	\$2,389,540,000	\$2,504,510,000	\$2,601,340,000	\$2,712,610,000
Total Departmental Receipts	316,400,000	323,400,000	330,500,000	337,800,000
Taxes and Departmentals	\$2,705,940,000	\$2,827,910,000	\$2,931,840,000	\$3,050,410,000
Other Sources				
Gas Tax Transfers	9,686,000	9,754,000	9,822,000	9,872,000
Other Miscellaneous	9,300,000	10,000,000	9,300,000	9,000,000
Lottery Commission Receipts	363,900,000	400,500,000	439,000,000	481,300,000
Unclaimed Property	8,300,000	8,200,000	8,400,000	8,900,000
Other Sources	\$391,186,000	\$428,454,000	\$466,522,000	\$509,072,000
Total General Revenues	\$3,097,126,000	\$3,256,364,000	\$3,398,362,000	\$3,559,482,000

General Revenue Outyear Estimates

	FY 2006	FY 2007	FY 2008	FY 2009
Personal Income Tax	6.0%	5.3%	4.2%	4.6%
General Business Taxes:				
Business Corporations	4.8%	4.0%	3.6%	3.6%
Public Utilities	2.0%	2.0%	1.8%	1.8%
Financial Institutions	4.8%	4.0%	3.6%	3.6%
Insurance Companies	3.6%	3.5%	3.4%	3.3%
Bank Deposits	1.8%	2.2%	2.2%	2.2%
Health Care Provider	5.2%	5.2%	5.2%	5.1%
General Business Taxes	3.8%	3.5%	3.3%	3.3%
Sales and Use Taxes:				
Sales and Use	5.1%	5.9%	4.7%	5.2%
Motor Vehicle	2.7%	2.7%	2.2%	2.1%
Motor Fuel	0.9%	0.7%	0.7%	0.5%
Cigarettes	-3.6%	-1.4%	-1.4%	-1.5%
Alcohol	1.8%	1.7%	1.7%	1.7%
Controlled Substances				
Sales and Use Taxes	3.7%	4.7%	3.8%	4.2%
Other Taxes:				
Inheritance and Gift	3.9%	4.4%	4.1%	4.1%
Racing and Athletics	-3.8%	-2.4%	2.6%	3.4%
Realty Transfer Tax	2.6%	3.9%	2.7%	1.3%
Other Taxes	2.7%	3.6%	3.6%	3.3%
Total Taxes	4.6%	4.8%	3.9%	4.3%
Total Departmental Receipts	1.8%	2.2%	2.2%	2.2%
Taxes and Departmentals	4.3%	4.5%	3.7%	4.0%
Other Sources				
Gas Tax Transfers	0.9%	0.7%	0.7%	0.5%
Other Miscellaneous	-50.9%	6.9%	-6.7%	-3.1%
Lottery Commission Receipts	11.8%	10.1%	9.6%	9.6%
Unclaimed Property	-3.0%	-1.5%	2.2%	7.0%
Other Sources	7.9%	9.5%	8.9%	9.2%
Total General Revenues	4.7%	5.1%	4.4%	4.7%

General Revenue Outyear Expenditure Estimates

	FY 2006	FY 2007	FY 2008	FY 2009
State Operations				
Personnel	\$780,100,000	\$820,700,000	\$903,800,000	\$948,800,000
Other State Operations	156,700,000	160,100,000	163,600,000	167,200,000
DCYF Caseload Growth	1,100,000	2,300,000	3,600,000	5,000,000
DOC Inmate Growth	2,300,000	4,600,000	7,200,000	9,900,000
Subtotal	\$940,200,000	\$987,700,000	\$1,078,200,000	\$1,130,900,000
Grants and Benefits				
DCYF Services	\$86,600,000	\$90,300,000	\$94,300,000	\$98,400,000
TANF Cash/Child Care/MOE	68,000,000	68,000,000	68,600,000	69,600,000
SSI Cash	29,100,000	30,000,000	31,000,000	32,000,000
Home Health Care-DEA	3,500,000	3,800,000	4,000,000	4,300,000
Nursing Home Care	140,300,000	144,400,000	148,600,000	152,900,000
MHRH MR\DD	85,500,000	89,200,000	93,200,000	97,300,000
Other Medicaid	242,900,000	264,300,000	287,300,000	312,300,000
RIPAE	19,100,000	21,400,000	24,200,000	27,300,000
Managed Care	175,500,000	189,000,000	203,200,000	218,400,000
Other Grants and Benefits	161,400,000	165,000,000	168,600,000	172,300,000
Subtotal	\$1,011,900,000	\$1,065,400,000	\$1,123,000,000	\$1,184,800,000
Local Aid				
Education Aid	\$801,700,000	\$845,100,000	\$889,700,000	\$930,100,000
General Revenue Sharing	63,700,000	77,700,000	88,400,000	102,700,000
Motor Vehicle Tax Reimbursements	110,700,000	115,300,000	120,900,000	126,700,000
PILOT	24,600,000	26,000,000	27,400,000	28,900,000
Distressed Communities	8,700,000	8,700,000	8,800,000	8,900,000
Library Aid	11,100,000	13,100,000	14,100,000	13,500,000
Property Revaluation Prgm	2,000,000	2,000,000	2,000,000	2,000,000
Police/Fire Incentive Payments	1,200,000	1,300,000	1,500,000	1,600,000
Subtotal	\$1,023,700,000	\$1,089,200,000	\$1,152,800,000	\$1,214,400,000
Capital				
<i>Debt Service</i>				
General Obligation	\$60,290,109	61,870,857	\$62,365,695	\$66,583,201
Refunding Bond Authority	16,857,548	19,253,091	19,084,938	18,160,514
COPS/Other Leases	23,488,473	26,122,248	26,149,767	26,183,616
Convention Center	17,920,913	17,925,168	17,927,195	17,941,209
Performance Based	6,048,526	6,048,526	6,048,526	6,048,526
TANS	371,454	371,454	371,454	371,454
<i>Capital Improvements</i>				
Other Projects	3,427,518	2,103,929	1,673,906	780,340
Subtotal	\$128,404,541	\$133,695,273	\$133,621,481	\$136,068,860
Total	\$3,104,204,541	\$3,275,995,273	\$3,487,621,481	\$3,666,168,860

General Revenue Outyear Expenditure Estimates

	FY 2006	FY 2007	FY 2008	FY 2009
State Operations				
Personnel	4.97%	5.20%	10.13%	4.98%
Other State Operations	1.82%	2.17%	2.19%	2.20%
DCYF Annual Caseload Growth	2.10%	2.10%	2.10%	2.10%
DOC Annual Inmate Growth	1.70%	1.70%	1.70%	1.70%
Subtotal	4.81%	5.05%	9.16%	4.89%
Grants and Benefits				
DCYF Services	3.96%	4.27%	4.43%	4.35%
TANF Cash/Child Care/MOE	6.13%	0.00%	0.88%	1.46%
SSI Cash	2.82%	3.09%	3.33%	3.23%
Home Health Care-DEA	7.42%	8.57%	5.26%	7.50%
Nursing Home Care	4.32%	2.92%	2.91%	2.89%
MHRH MR\DD	4.47%	4.33%	4.48%	4.40%
Other Medicaid	9.06%	8.81%	8.70%	8.70%
RIPAE	12.96%	12.04%	13.08%	12.81%
Managed Care	7.69%	7.69%	7.51%	7.48%
Other Grants and Benefits	1.82%	2.23%	2.18%	2.19%
Subtotal	5.81%	5.29%	5.41%	5.50%
Local Aid				
Education Aid	5.64%	5.41%	5.28%	4.54%
General Revenue Sharing	23.84%	21.98%	13.77%	16.18%
Motor Vehicle Tax Reimbursements	5.44%	4.16%	4.86%	4.80%
PILOT	13.28%	5.69%	5.38%	5.47%
Distressed Communities	15.49%	0.00%	1.15%	1.14%
Library Aid	5.83%	18.02%	7.63%	-4.26%
Property Revaluation Prgm	-10.25%	0.00%	0.00%	0.00%
Police/Fire Incentive Payments	9.28%	8.33%	15.38%	6.67%
Subtotal	6.82%	6.40%	5.84%	5.34%
Capital				
<i>Debt Service</i>				
General Obligation	80.36%	2.62%	0.80%	6.76%
Refunding Bond Authority	26.68%	14.21%	-0.87%	-4.84%
COPS/Other Leases	43.20%	11.21%	0.11%	0.13%
Convention Center	-0.90%	0.02%	0.01%	0.08%
Performance Based	25.49%	0.00%	0.00%	0.00%
TANS				
<i>Capital Improvements</i>				
Other Projects	339.23%	-38.62%	-20.44%	-53.38%
Subtotal	47.27%	4.12%	-0.06%	1.83%
Total	7.08%	5.53%	6.46%	5.12%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2006	FY 2007	FY 2008	FY 2009
Personal Income (billions) [1]	\$37.8	\$39.5	\$41.1	\$42.8
<i>Change</i>	3.9%	4.4%	4.1%	4.1%
Nonfarm Employment (thousands) [1]	496.6	502.6	507.1	511.1
<i>Change</i>	1.4%	1.2%	0.9%	0.8%
Personal Income Tax				
Wages and Salaries [1]	4.8%	4.5%	4.2%	4.0%
Taxable Nonwage [2]	3.7%	4.4%	4.2%	4.4%
Elasticity [3]	1.0	1.0	1.0	1.0
Business Corporation Tax [4]	5.7%	5.1%	4.8%	4.8%
Provider Tax	Institutional Healthcare Expenditure Growth [11]			
Sales Tax				
Wages and Salaries [1]	4.8%	4.5%	4.2%	4.0%
Elasticity [3]	0.8	0.8	0.8	0.8
Gasoline Tax				
Real Consumption [5]	0.9%	0.7%	0.7%	0.5%
Other Taxes and Departmentals	1.8%	2.2%	2.2%	2.2%
CPI-U (U.S.) [1]	1.8%	2.2%	2.2%	2.2%
Salaries and Fringe Benefits				
Salary COLA - [13], CPI-U [1]	2.0%	2.0%	2.2%	2.2%
Steps and Longevity Increases [3]	2.0%	2.0%	2.0%	2.0%
Medical Benefits Costs [13], [12]	3.4%	3.1%	7.5%	7.2%
Retiree Health Costs [14], [12]	8.1%	8.0%	671.5%	4.3%
State Employees Retirement Costs [15]	28.8%	23.9%	19.9%	10.6%
Corrections Population, Including INS Detainees [3]	3,700	3,761	3,823	3,886
<i>Change</i>	1.6%	1.6%	1.6%	1.6%
Children in State Care	8,079	8,249	8,422	8,599
Caseload Change [3]	2.1%	2.1%	2.1%	2.1%
FIP Caseloads [3]	35,755	33,810	31,939	30,141
<i>Change</i>	-6.4%	-5.4%	-5.5%	-5.6%

General Revenue Outyear Planning Values

Estimates and Growth	FY 2006	FY 2007	FY 2008	FY 2009
SSI Caseload [3]	31,164	32,015	32,956	33,928
Caseload Change	2.7%	2.7%	2.9%	2.9%
Percent Disabled	79.3%	79.9%	80.4%	80.8%
Estimated Disabled	24,702	25,579	26,487	27,427
Disabled Growth	3.6%	3.6%	3.5%	3.5%
Percent Elderly	20.7%	20.1%	19.6%	19.2%
Estimated Elderly	6,462	6,437	6,469	6,501
Growth Elderly [6]	-0.5%	-0.4%	0.5%	0.5%
Home Health Care				
Expenditure Growth [7]	6.9%	7.8%	7.2%	6.7%
Nursing Home Care				
Expenditure Growth [3]	4.3%	2.9%	2.9%	2.9%
Other Medicaid				
Expenditure Growth [9]	9.1%	8.8%	8.7%	8.7%
RIPAE				
Caseloads	34,980	34,840	35,014	35,189
Caseload Change [6]	-0.5%	-0.4%	0.5%	0.5%
Price Inflation [3], [10]	4.0%	3.8%	3.5%	3.5%
Managed Care				
Expenditure Growth [8]	7.7%	7.7%	7.5%	7.5%
Education Aid [16]	5.6%	5.4%	5.2%	4.5%

General Revenue Outyear Planning Values

Estimates and Growth

FY 2006

FY 2007

FY 2008

FY 2009

- [1] *November 2003 Revenue Estimating Conference Consensus Economic Forecast.*
- [2] *Nov. 2003 REC estimates and Economy.com Fiscal Year Forecast of the Rhode Island Economy, November 2003.*
- [3] *State of Rhode Island Budget Office Estimate.*
- [4] *Economy.com Calendar Year Forecast of the U.S. Economy, November 2003, Corporate Profits Before Tax.*
- [5] *Economy.com Calendar Year Forecast of the U.S. Economy, November 2003, Nondurables: Gasoline and Oil.*
- [6] *Economy.com Fiscal Year Forecast of the Rhode Island Economy, November 2003.*
- [7] *HCFA (CMS) National Health Care Expenditures Projections 2002-2012, March 2003, Table 10: Home Health Care Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year.*
- [8] *HCFA (CMS) National Health Care Expenditures Projections 2002-2012, March 2003, Table 3: National Health Expenditures, Private Health Insurance, Average Annual Percentage Change from Previous Year.*
- [9] *HCFA (CMS) National Health Care Expenditures Projections 2002-2012, March 2003, Table 3: National Health Expenditures, Medicaid, Average Annual Percentage Change from Previous Year.*
- [10] *[3] and HCFA (CMS) National Health Care Expenditures Projections 2002-2012, March 2003, Table 11: Prescription Drug Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year.*
- [11] *HCFA (CMS) National Health Care Expenditures Projections 200-2012, March 2003, Table 10: Home Health Care Expenditures, State and Local Payments, and Table 13: Nursing Home Care Expenditures, State and Local Payments, Average Annual Percentage Change from Previous Year.*
- [12] *HCFA (CMS) National Health Care Expenditures Projections 2002-2012, March 2003, Table 5: Personal Health Care Expenditures, Private Health Insurance Payments, Average Annual Percentage Change from Previous Year.*
- [13] *Governor's Proposal for Fiscal Years 2005 - 2007.*
- [14] *Reflects Compliance with GASB rules beginning with Fiscal 2008.*
- [15] *Reflects Actuarial Assumptions with Respect to Future Employer Contribution Rates.*
- [16] *Education Aid Including Housing Aid, Teachers Retirement, Met Schools and Charter Schools*

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Appendix A

Schedules

General Revenue Budget Surplus Statement

	FY2002	FY2003	FY 2004		FY2005
	Actual	Unaudited	Enacted	Revised	Recommended
Surplus					
Opening Surplus	\$ 131,182,473	\$ 31,038,882	\$ 35,708,894	\$ 43,950,395	\$ 104,422
Certain anticipated audit adjustments		42,024			
Reappropriated Surplus	11,056,417	7,770,428		7,991,948	
Subtotal	142,238,890	38,851,334	35,708,894	51,942,343	104,422
General Taxes	1,905,130,724	2,013,020,329	2,125,785,533	2,125,785,533	2,221,180,000
Revenue estimators' revision	-	-	-	(3,055,533)	-
Changes to adopted revenue estimates					63,577,412
Certain anticipated audit adjustments		(272,383)			
Subtotal	1,905,130,724	2,012,747,946	2,125,785,533	2,122,730,000	2,284,757,412
Departmental Revenues	243,364,829	283,308,490	287,037,601	287,037,601	227,800,000
Revenue estimators' revision	-	-	-	(37,601)	-
Changes to adopted revenue estimates				11,164,360	83,042,557
Certain anticipated audit adjustments		84,772			
Subtotal	243,364,829	283,393,262	287,037,601	298,164,360	310,842,557
Other Sources					
Gas Tax Transfers	553,531	25,506,330	6,608,000	6,608,000	6,720,000
Rev Estimators' revision-Gas Tax	-	-			-
Changes to adopted revenue estimates				472,000	2,880,000
Other Miscellaneous	232,339,319	184,014,133	71,341,582	71,341,582	10,116,632
Rev Estimators' revision-Miscellaneous	-	-	-	(304,355)	-
Changes to adopted revenue estimates					8,893,000
Lottery	214,141,576	236,636,756	301,770,293	301,770,293	315,000,000
Revenue Estimators' revision-Lottery	-	-	-	(18,670,293)	-
Changes to adopted revenue estimates				4,083,200	10,553,686
Unclaimed Property	7,419,763	8,458,048	12,900,000	12,900,000	8,570,000
Revenue Estimators' revision-Unclaimed	-	-	-	1,590,000	-
Subtotal	454,454,189	454,615,267	392,619,875	379,790,427	362,733,318
Total Revenues	\$ 2,602,949,742	\$ 2,750,756,475	\$ 2,805,443,009	\$ 2,800,684,787	\$ 2,958,333,287
Budget Stabilization	(54,682,648)	(55,636,748)	(56,823,039)	(56,892,704)	(59,168,754)
Total Available	\$ 2,690,505,984	\$ 2,733,971,062	\$ 2,784,328,865	\$ 2,795,734,426	\$ 2,899,268,955
Actual/Enacted Expenditures	\$ 2,651,654,648	\$ 2,682,753,719	\$ 2,783,776,459	\$ 2,783,776,459	\$ 2,898,964,410
Reappropriations	-	-	-	7,991,948	
Certain anticipated audit adjustments		(725,000)			
Budget Balancing Plan					
Recommended changes to appropriations	-	-	-	3,861,597	
Total Expenditures	\$ 2,651,654,648	\$ 2,682,028,719	\$ 2,783,776,459	\$ 2,795,630,004	\$ 2,898,964,410
Free Surplus	\$ 31,038,882	\$ 43,950,395	\$ 552,406	\$ 104,422	\$ 304,545
Reappropriations	7,812,454	7,991,948	-	-	-
Total Ending Balances	\$ 38,851,336	\$ 51,942,343	\$ 552,406	\$ 104,422	\$ 304,545
Budget Reserve and Cash					
Stabilization Account	\$ 82,023,966	\$ 83,455,121	\$ 85,234,557	\$ 85,339,055	\$ 88,753,131

Expenditures from All Funds

	FY 2002	FY 2003	FY 2004	FY2005
	Actual	Unaudited	Recommend	Recommend
General Government				
Administration	515,415,898	472,327,028	519,930,617	542,741,309
Business Regulation	8,850,190	9,522,833	10,534,860	10,223,006
Labor and Training	443,918,521	481,683,937	477,861,916	448,819,107
Legislature	26,929,068	27,929,128	29,876,478	27,364,045
Lieutenant Governor	756,501	790,404	844,486	865,343
Secretary of State	4,997,096	6,384,689	7,611,495	7,953,497
General Treasurer	27,119,112	27,902,074	33,526,073	39,237,807
Boards for Design Professionals	347,865	437,247	408,371	413,929
Board of Elections	2,453,874	3,106,424	2,572,044	2,610,178
Rhode Island Ethics Commission	873,597	875,624	946,840	950,328
Governor's Office	4,525,550	6,178,510	4,454,314	4,345,275
Public Utilities Commission	4,315,014	4,526,002	5,903,006	6,081,542
Rhode Island Commission on Women	137,753	128,402	68,082	83,639
Subtotal - General Government	\$ 1,040,640,039	\$ 1,041,792,302	\$ 1,094,538,582	\$ 1,091,689,005
Human Services				
Children, Youth, and Families	227,311,304	235,627,463	245,642,138	243,666,982
Elderly Affairs	38,697,258	42,593,632	49,370,345	46,350,573
Health	90,289,770	102,092,534	120,201,077	114,650,813
Human Services	1,336,974,968	1,417,877,411	1,542,527,396	1,598,882,871
Mental Health, Retardation, & Hospitals	419,953,703	437,880,307	455,446,108	462,547,450
Office of the Child Advocate	835,387	880,250	559,889	555,340
Commission on Deaf & Hard of Hearing	165,141	215,334	269,183	272,198
RI Developmental Disabilities Council	406,272	497,722	558,785	570,511
Governor's Commission on Disabilities	328,536	524,158	1,172,906	1,249,239
Commission for Human Rights	1,225,200	1,151,072	1,270,686	1,223,744
Office of the Mental Health Advocate	290,718	307,243	317,067	331,668
Subtotal - Human Services	\$ 2,116,478,257	\$ 2,239,647,126	\$ 2,417,335,580	\$ 2,470,301,389
Education				
Elementary and Secondary	816,337,013	871,468,183	972,258,177	978,886,998
Higher Education - Board of Governors	543,522,588	578,426,870	601,998,167	623,581,288
RI Council on the Arts	2,198,247	2,212,388	3,111,403	2,852,564
RI Atomic Energy Commission	789,477	804,847	1,179,783	1,264,213
Higher Education Assistance Authority	12,879,955	14,380,467	23,681,391	23,417,692
Historical Preservation and Heritage Commission	1,770,824	1,606,150	1,886,803	1,867,573
Public Telecommunications Authority	1,679,001	1,631,257	4,604,118	3,347,910
Subtotal - Education	\$ 1,379,177,105	\$ 1,470,530,162	\$ 1,608,719,842	\$ 1,635,218,238

Expenditures from All Funds

	FY 2002 Actual	FY 2003 Unaudited	FY 2004 Recommend	FY2005 Recommend
Public Safety				
Attorney General	16,385,077	17,696,225	19,408,387	19,275,784
Corrections	142,342,187	142,760,255	161,456,401	162,182,986
Judicial	72,732,817	73,273,311	80,430,739	79,988,834
Military Staff	10,971,209	12,988,141	53,470,077	18,949,216
E-911 Emergency Telephone System	3,893,219	3,935,390	4,411,499	5,471,423
Fire Safety Code Board of Appeal & Review	210,518	240,105	235,045	241,338
State Fire Marshal	1,606,579	1,497,690	2,098,367	2,315,314
Commission on Judicial Tenure & Discipline	101,764	111,692	128,352	102,842
Rhode Island Justice Commission	4,488,302	4,831,555	6,156,580	6,026,087
Municipal Police Training Academy	418,870	360,158	428,357	401,327
State Police	41,917,527	42,186,609	44,734,801	46,681,763
Office Of Public Defender	5,946,722	6,261,826	7,020,190	7,141,605
Subtotal - Public Safety	\$ 301,014,791	\$ 306,142,957	\$ 379,978,795	\$ 348,778,519
Natural Resources				
Environmental Management	59,152,776	57,367,577	72,157,648	72,771,088
Coastal Resources Management Council	2,322,182	6,595,624	9,242,297	4,537,618
Water Resources Board	1,595,399	1,947,523	2,465,111	3,116,098
Subtotal - Natural Resources	\$ 63,070,357	\$ 65,910,724	\$ 83,865,056	\$ 80,424,804
Transportation				
Transportation	289,476,131	274,804,504	319,542,788	319,745,347
Subtotal - Transportation	\$ 289,476,131	\$ 274,804,504	\$ 319,542,788	\$ 319,745,347
Total	\$ 5,189,856,680	\$ 5,398,827,775	\$ 5,903,980,643	\$ 5,946,157,302

Expenditures from General Revenues

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
General Government				
Administration	383,413,506	365,404,946	\$393,612,428	416,714,431
Business Regulation	8,609,251	9,120,775	9,911,780	9,593,349
Labor and Training	7,291,073	6,801,323	7,459,059	6,633,002
Legislature	26,037,482	26,672,594	28,992,175	26,414,680
Lieutenant Governor	756,501	790,404	844,486	865,343
Secretary of State	4,718,796	5,941,549	4,616,881	4,794,814
General Treasurer	5,079,346	3,451,764	3,639,234	5,037,957
Boards for Design Professionals	347,865	437,247	408,371	413,929
Board of Elections	2,453,874	3,106,424	1,412,294	1,608,350
Rhode Island Ethics Commission	873,597	875,624	946,840	950,328
Governor's Office	4,525,550	6,178,510	4,454,314	4,345,275
Public Utilities Commission	702,507	657,016	687,100	670,154
Rhode Island Commission on Women	137,753	128,402	68,082	83,639
Subtotal - General Government	\$ 444,947,101	\$ 429,566,578	\$ 457,053,044	478,125,251
Human Services				
Children, Youth, and Families	137,678,216	141,104,522	140,840,694	143,880,648
Elderly Affairs	25,363,463	27,296,583	29,534,792	29,154,609
Health	34,028,273	34,446,598	34,085,909	31,267,460
Human Services	603,152,771	602,799,235	631,158,773	685,070,023
Mental Health, Retardation, & Hospitals	221,123,456	219,909,933	214,893,245	225,141,155
Office of the Child Advocate	491,878	514,005	478,889	501,168
Commission on Deaf & Hard of Hearing	165,141	215,334	269,183	272,198
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	303,540	513,501	541,217	533,865
Commission for Human Rights	733,075	806,591	1,037,645	984,444
Office of the Mental Health Advocate	290,718	307,243	317,067	331,668
Subtotal - Human Services	\$ 1,023,330,531	\$ 1,027,913,545	\$ 1,053,157,414	1,117,137,238
Education				
Elementary and Secondary	707,302,342	742,377,641	777,183,510	788,702,547
Higher Education - Board of Governors	174,472,786	169,439,718	172,061,647	174,530,556
RI Council on the Arts	1,638,620	1,679,661	2,300,441	1,972,064
RI Atomic Energy Commission	631,147	664,107	702,450	727,045
Higher Education Assistance Authority	6,934,216	6,024,022	11,058,022	9,955,589
Historical Preservation and Heritage Commission	777,395	1,018,675	1,090,084	1,068,027
Public Telecommunications Authority	1,158,308	1,113,655	1,245,395	1,238,482
Subtotal - Education	\$ 892,914,814	\$ 922,317,479	\$ 965,641,549	978,194,310

Expenditures from General Revenues

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
Public Safety				
Attorney General	14,673,107	15,471,318	16,400,797	16,452,441
Corrections	128,169,352	136,041,022	146,053,491	146,860,150
Judicial	60,688,095	63,812,515	67,653,785	68,186,641
Military Staff	2,460,657	2,190,828	2,140,287	2,135,898
E-911 Emergency Telephone System	3,893,219	3,935,390	4,411,499	3,821,407
Fire Safety Code Board of Appeal & Review	210,518	240,105	235,045	241,338
State Fire Marshal	1,471,137	1,346,179	1,736,470	1,977,834
Commission on Judicial Tenure and Discipline	101,764	111,692	128,352	102,842
Rhode Island Justice Commission	177,298	165,173	163,220	248,367
Municipal Police Training Academy	359,824	341,623	355,485	361,327
State Police	37,999,881	38,198,641	39,862,739	43,012,525
Office Of Public Defender	5,544,192	5,888,550	6,491,537	6,722,438
Subtotal - Public Safety	\$ 255,749,044	\$ 267,743,036	\$ 285,632,707	290,123,208
Natural Resources				
Environmental Management	32,484,833	32,005,256	31,716,609	32,695,029
Coastal Resources Management Council	1,156,179	1,450,970	1,488,995	1,460,351
Water Resources Board	1,072,146	1,031,855	939,686	1,229,023
Subtotal - Natural Resources	\$ 34,713,158	\$ 34,488,081	\$ 34,145,290	35,384,403
Transportation				
Transportation	-	-	-	-
Subtotal - Transportation	\$ -	\$ -	\$ -	-
Total	\$ 2,651,654,648	\$ 2,682,028,719	\$ 2,795,630,004	2,898,964,410

Expenditures from Federal Funds

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
General Government				
Administration	29,252,557	32,429,416	\$37,762,440	\$40,434,150
Business Regulation	-	-	-	-
Labor and Training	33,591,666	35,584,044	36,366,062	28,735,191
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	17,236	28,638	2,505,520	2,635,250
General Treasurer	1,997,878	342,005	4,544,975	5,437,666
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	1,159,750	1,001,828
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	36,638	64,116	70,076	73,038
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 64,895,975	\$ 68,448,219	\$ 82,408,823	\$ 78,317,123
Human Services				
Children, Youth, and Families	88,177,105	91,894,382	102,476,820	98,087,733
Elderly Affairs	8,839,258	10,341,332	15,105,553	12,395,964
Health	49,253,249	59,027,502	74,472,263	71,766,291
Human Services	729,611,752	811,463,633	907,161,878	909,187,887
Mental Health, Retardation, & Hospitals	197,281,194	216,675,898	239,116,903	232,481,295
Office of the Child Advocate	343,509	366,245	63,000	54,172
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	406,272	497,722	558,785	570,511
Governor's Commission on Disabilities	10,180	1,405	88,286	180,208
Commission for Human Rights	492,125	344,481	233,041	239,300
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 1,074,414,644	\$ 1,190,612,600	\$ 1,339,276,529	\$ 1,324,963,361
Education				
Elementary and Secondary	107,749,220	127,804,162	191,424,918	187,188,704
Higher Education - Board of Governors	2,550,660	2,829,215	3,021,372	2,807,354
RI Council on the Arts	519,827	575,300	610,962	680,500
RI Atomic Energy Commission	8,881	(2,558)	325,000	325,000
Higher Education Assistance Authority	4,782,837	4,988,960	7,286,592	8,048,830
Historical Preservation and Heritage Commission	559,257	536,718	522,827	592,746
Public Telecommunications Authority	-	-	555,601	-
Subtotal - Education	\$ 116,170,682	\$ 136,731,797	\$ 203,747,272	\$ 199,643,134

Expenditures from Federal Funds

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
Public Safety				
Attorney General	1,174,112	1,649,252	2,299,240	2,106,318
Corrections	4,850,061	3,126,899	8,333,884	9,627,911
Judicial	2,550,317	2,869,173	4,627,118	3,578,972
Military Staff	8,001,637	10,626,043	50,216,458	15,828,911
E-911 Emergency Telephone System	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	135,442	151,511	341,897	317,480
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	4,262,082	4,654,786	5,903,360	5,687,720
Municipal Police Training Academy	59,046	18,535	72,872	40,000
State Police	1,040,654	1,768,724	2,208,474	1,270,334
Office Of Public Defender	402,530	373,276	528,653	419,167
Subtotal - Public Safety	\$ 22,475,881	\$ 25,238,199	\$ 74,531,956	\$ 38,876,813
Natural Resources				
Environmental Management	15,365,640	14,710,059	26,336,366	24,500,017
Coastal Resources Management Council	1,166,003	1,646,691	2,370,998	2,145,000
Water Resources Board	-	172,500	327,500	500,000
Subtotal - Natural Resources	\$ 16,531,643	\$ 16,529,250	\$ 29,034,864	\$ 27,145,017
Transportation				
Transportation	170,939,525	149,907,602	197,679,597	207,421,454
Subtotal - Transportation	\$ 170,939,525	\$ 149,907,602	197,679,597	207,421,454
Total	\$ 1,465,428,350	\$ 1,587,467,667	\$ 1,926,679,041	\$ 1,876,366,902

Expenditures From Restricted Receipts

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
General Government				
Administration	6,295,231	9,624,326	\$10,623,906	\$11,167,747
Business Regulation	240,939	402,058	623,080	629,657
Labor and Training	22,076,440	20,315,829	23,752,805	26,017,487
Legislature	891,586	1,256,534	884,303	949,365
Lieutenant Governor	-	-	-	-
Secretary of State	261,064	414,502	489,094	523,433
General Treasurer	9,886,168	16,474,921	19,208,839	21,051,265
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	3,575,869	3,804,870	5,145,830	5,338,350
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 43,227,297	\$ 52,293,040	\$ 60,727,857	\$ 65,677,304
Human Services				
Children, Youth, and Families	1,253,356	2,494,922	2,267,033	1,518,941
Elderly Affairs	-	-	-	-
Health	6,802,105	8,577,588	11,536,819	11,518,083
Human Services	4,209,593	3,474,543	4,206,745	4,239,961
Mental Health, Retardation, & Hospitals	61,913	43,760	75,000	75,000
Office of the Child Advocate	-	-	18,000	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	14,816	9,252	43,403	35,166
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 12,341,783	\$ 14,600,065	\$ 18,147,000	\$ 17,387,151
Education				
Elementary and Secondary	874,511	1,214,292	1,572,622	2,885,339
Higher Education - Board of Governors	-	-	-	44,685
RI Council on the Arts	39,800	(42,573)	200,000	200,000
RI Atomic Energy Commission	-	-	-	-
Higher Education Assistance Authority	-	-	-	-
Historical Preservation and Heritage Commission	434,172	50,757	273,892	206,800
Public Telecommunications Authority	-	-	-	-
Subtotal - Education	\$ 1,348,483	\$ 1,222,476	\$ 2,046,514	\$ 3,336,824

Expenditures From Restricted Receipts

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
Public Safety				
Attorney General	537,858	575,655	708,350	717,025
Corrections	5,367,901	2,456,374	2,108,140	1,916,250
Judicial	5,851,785	6,517,408	7,683,717	7,173,221
Military Staff	112,257	114,010	176,768	228,157
E-911 Emergency Telephone System	-	-	-	1,650,016
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	-	-
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	48,922	11,596	90,000	90,000
Municipal Police Training Academy	-	-	-	-
State Police	239,326	193,184	590,023	298,089
Office Of Public Defender	-	-	-	-
Sheriffs of Several Counties	-	-	-	-
Subtotal - Public Safety	\$ 12,158,049	\$ 9,868,227	\$ 11,356,998	\$ 12,072,758
Natural Resources				
Environmental Management	7,768,695	9,206,936	9,651,573	10,928,878
Coastal Resources Management Council	-	3,352,963	5,210,304	932,267
Water Resources Board	94,004	596,555	984,000	895,000
Subtotal - Natural Resources	\$ 7,862,699	\$ 13,156,454	\$ 15,845,877	\$ 12,756,145
Transportation				
Transportation	15,800,030	23,114,599	18,268,814	12,181,209
Subtotal - Transportation	\$ 15,800,030	\$ 23,114,599	18,268,814	12,181,209
Total	\$ 92,738,341	\$ 114,254,861	\$ 126,393,060	\$ 123,411,391

Expenditures From Other Funds

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
General Government				
Administration	96,454,604	64,868,340	\$77,931,843	\$74,424,981
Business Regulation	-	-	-	-
Labor and Training	380,959,342	418,982,741	410,283,990	387,433,427
Legislature	-	-	-	-
Lieutenant Governor	-	-	-	-
Secretary of State	-	-	-	-
General Treasurer	10,155,720	7,633,384	6,133,025	7,710,919
Boards for Design Professionals	-	-	-	-
Board of Elections	-	-	-	-
Rhode Island Ethics Commission	-	-	-	-
Governor's Office	-	-	-	-
Public Utilities Commission	-	-	-	-
Rhode Island Commission on Women	-	-	-	-
Subtotal - General Government	\$ 487,569,666	\$ 491,484,465	\$ 494,348,858	\$ 469,569,327
Human Services				
Children, Youth, and Families	202,627	133,637	57,591	179,660
Elderly Affairs	4,494,537	4,955,717	4,730,000	4,800,000
Health	206,143	40,846	106,086	98,979
Human Services	852	140,000	-	385,000
Mental Health, Retardation, & Hospitals	1,487,140	1,250,716	1,360,960	4,850,000
Office of the Child Advocate	-	-	-	-
Commission on Deaf & Hard of Hearing	-	-	-	-
RI Developmental Disabilities Council	-	-	-	-
Governor's Commission on Disabilities	-	-	500,000	500,000
Commission for Human Rights	-	-	-	-
Office of the Mental Health Advocate	-	-	-	-
Subtotal - Human Services	\$ 6,391,299	\$ 6,520,916	\$ 6,754,637	\$ 10,813,639
Education				
Elementary and Secondary	410,940	72,088	2,077,127	110,408
Higher Education - Board of Governors	366,499,142	406,157,937	426,915,148	446,198,693
RI Council on the Arts	-	-	-	-
RI Atomic Energy Commission	149,449	143,298	152,333	212,168
Higher Education Assistance Authority	1,162,902	3,367,485	5,336,777	5,413,273
Historical Preservation and Heritage Commission	-	-	-	-
Public Telecommunications Authority	520,693	517,602	2,803,122	2,109,428
Subtotal - Education	\$ 368,743,126	\$ 410,258,410	\$ 437,284,507	\$ 454,043,970

Expenditures From Other Funds

	FY 2002 Actual	FY 2003 Unaudited	FY2004 Recommend	FY2005 Recommend
Public Safety				
Attorney General	-	-	-	-
Corrections	3,954,873	1,135,960	4,960,886	3,778,675
Judicial	3,642,620	74,215	466,119	1,050,000
Military Staff	396,658	57,260	936,564	756,250
E-911 Emergency Telephone System	-	-	-	-
Fire Safety Code Board of Appeal & Review	-	-	-	-
State Fire Marshal	-	-	20,000	20,000
Commission on Judicial Tenure & Discipline	-	-	-	-
Rhode Island Justice Commission	-	-	-	-
Municipal Police Training Academy	-	-	-	-
State Police	2,637,666	2,026,060	2,073,565	2,100,815
Office Of Public Defender	-	-	-	-
Subtotal - Public Safety	\$ 10,631,817	\$ 3,293,495	\$ 8,457,134	\$ 7,705,740
Natural Resources				
Environmental Management	3,533,608	1,445,326	4,453,100	4,647,164
Coastal Resources Management Council	-	145,000	172,000	-
Water Resources Board	429,249	146,613	213,925	492,075
Subtotal - Natural Resources	\$ 3,962,857	\$ 1,736,939	\$ 4,839,025	\$ 5,139,239
Transportation				
Transportation	102,736,576	101,782,303	103,594,377	100,142,684
Subtotal - Transportation	\$ 102,736,576	\$ 101,782,303	103,594,377	100,142,684
Total	\$ 980,035,341	\$ 1,015,076,528	\$ 1,055,278,538	\$ 1,047,414,599

Full-Time Equivalent Positions

	FY 2002	FY 2003	FY 2004 Enacted	FY 2004 Revised	FY 2005
General Government					
Administration	1,350.0	1,278.2	1,261.2	1,261.2	1,269.2
Business Regulation	111.0	106.0	109.0	109.0	106.0
Labor & Training	558.0	538.7	536.7	536.7	536.7
Legislature	280.0	280.0	280.0	280.0	280.0
Lieutenant Governor	10.0	10.0	10.0	10.0	10.0
Secretary of State	59.2	59.0	59.0	59.0	59.0
General Treasurer	87.5	84.5	84.5	87.5	87.5
Boards for Design Professionals	4.0	4.0	4.0	4.0	4.0
Board Of Elections	22.3	15.0	15.0	15.0	15.0
Rhode Island Ethics Commission	10.0	9.0	9.0	9.0	9.0
Office of the Governor	50.0	47.5	47.5	47.5	47.5
Public Utilities Commission	44.0	43.0	45.0	45.0	45.0
Rhode Island Commission on Women	2.0	2.0	2.0	1.0	1.0
Subtotal - General Government	2,588.0	2,476.9	2,462.9	2,464.9	2,469.9
Human Services					
Children, Youth, and Families	868.9	853.8	849.8	849.8	851.8
Elderly Affairs	60.6	52.6	52.6	52.6	52.0
Health	477.1	506.9	502.9	502.9	502.9
Human Services	1,139.9	1,069.6	1,058.6	1,058.6	1,064.6
Mental Health, Retardation, & Hospitals	2,138.0	2,067.7	2,021.7	2,021.7	1,999.7
Office of the Child Advocate	13.0	12.5	5.8	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	3.0
RI Developmental Disabilities Council	3.0	2.0	2.0	2.0	2.0
Governor's Commission on Disabilities	4.6	6.6	6.6	6.6	6.6
Commission for Human Rights	17.0	17.0	15.0	15.0	15.0
Office of the Mental Health Advocate	4.3	3.7	3.7	3.7	3.7
Subtotal - Human Services	4,729.4	4,595.4	4,521.7	4,521.7	4,507.1
Education					
Elementary and Secondary	345.2	328.7	326.7	326.7	321.1
Higher Education - Board of Governors*	3,589.9	3,487.4	3,472.1	3,472.1	3,542.7
RI State Council On The Arts	6.0	6.0	7.0	7.0	7.0
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	8.6
Higher Education Assistance Authority	46.6	45.6	45.6	45.6	46.0
Historical Preservation and Heritage Commission	17.6	17.6	17.6	17.6	17.6
Public Telecommunications Authority	22.0	22.0	22.0	22.0	22.0
Subtotal - Education	4,035.9	3,915.9	3,899.6	3,899.6	3,965.0

Full-Time Equivalent Positions

	FY 2002	FY 2003	FY 2004 Enacted	FY 2004 Revised	FY 2005
Public Safety					
Attorney General	229.0	227.9	228.5	228.5	228.5
Corrections	1,550.6	1,538.0	1,522.0	1,492.0	1,539.0
Judicial	707.0	721.7	734.5	734.5	734.5
Military Staff	94.0	90.0	93.0	97.0	97.0
E-911	48.6	47.6	50.6	50.6	50.6
Fire Safety Code Board of Appeal and Review	3.0	3.0	3.0	3.0	3.0
RI State Fire Marshal	21.5	21.0	27.0	27.0	32.0
Commission on Judicial Tenure and Discipline	1.0	1.0	1.0	1.0	1.0
Rhode Island Justice Commission	9.0	9.0	9.0	9.0	9.0
Municipal Police Training Academy	4.0	4.0	4.0	4.0	4.0
State Police	267.0	259.0	257.0	251.0	281.0
Office of the Public Defender	79.5	83.2	86.2	86.2	86.2
Subtotal - Public Safety	3,014.2	3,005.4	3,015.8	2,983.8	3,065.8
Natural Resources					
Environmental Management	585.5	549.7	539.7	539.7	538.7
Coastal Resources Management Council	30.0	28.0	28.0	28.0	29.0
Water Resources Board	9.0	9.0	9.0	9.0	9.0
Subtotal - Natural Resources	624.5	586.7	576.7	576.7	576.7
Transportation					
Transportation	864.3	820.7	812.7	812.7	812.7
Subtotal - Transportation	864.3	820.7	812.7	812.7	812.7
Total	15,856.3	15,401.0	15,289.4	15,259.4	15,397.2
*Higher Education Exempt Sponsored Research	335.4	321.8	319.8	355.5	361.8
Total All Positions	16,191.7	15,722.8	15,609.2	15,614.9	15,759.0
Statewide Adjustments					
*Legislature Exempt		(280.0)			
*Judicial Exempt		(721.7)			
*Higher Education Exempt Sponsored Research		(321.8)	(319.8)	(355.5)	(361.8)
Balance of Vacant Positions/Hiring Freeze		(18.4)			
Executive Branch Cap	16,191.7	14,380.9	15,289.4	15,259.4	15,397.2
Legislature		280.0			
Judiciary		721.7			
Total Personnel Authorizations	16,191.7	15,382.6	15,289.4	15,259.4	15,397.2
*Higher Education Exempt Sponsored Research		321.8	319.8	355.5	361.8
Total Personnel	16,191.7	15,704.4	15,609.2	15,614.9	15,759.0
*Higher Education Total with Exempt Positions	3,589.9	3,809.2	3,791.9	3,827.6	3,904.5

General Revenues as Recommended

	FY 2002 Actual	FY 2003 Preliminary	FY 2004 Revised	FY 2005 Recommended
Personal Income Tax	\$808,076,953	\$813,342,788	\$854,900,000	\$906,325,867
General Business Taxes				
Business Corporations*	24,222,910	63,861,292	68,500,000	77,628,676
Franchise	8,545,064			
Public Utilities Gross Earnings	80,813,972	75,091,288	77,800,000	79,000,000
Financial Institutions	3,385,254	9,804,211	(13,500,000)	8,500,000
Insurance Companies	32,351,132	51,287,425	50,600,000	51,400,000
Bank Deposits	1,138,120	1,697,630	1,730,000	1,760,000
Health Care Provider Assessment	27,843,707	28,140,784	41,200,000	45,100,000
Sales and Use Taxes				
Sales and Use	745,908,753	777,875,408	816,000,000	854,289,528
Motor Vehicle	46,108,282	47,043,144	48,900,000	50,500,000
Motor Fuel	812,579	1,022,168	700,000	720,000
Cigarettes	85,478,817	94,379,288	121,400,000	154,733,341
Alcohol	10,039,097	10,059,398	10,300,000	10,600,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	22,244,911	24,351,448	28,500,000	28,500,000
Racing and Athletics	5,470,031	5,309,872	4,900,000	4,800,000
Realty Transfer	2,691,142	9,481,801	10,800,000	10,900,000
Total Taxes	1,905,130,724	2,012,747,945	2,122,730,000	2,284,757,412
Departmental Receipts	243,364,829	283,393,263	298,164,360	310,842,557
Taxes and Departmentals	2,148,495,553	2,296,141,208	2,420,894,360	2,595,599,969
Other Sources				
Gas Tax Transfer	553,531	25,506,330	7,080,000	9,600,000
Other Miscellaneous	232,339,319	184,014,133	71,037,227	19,009,632
Lottery	214,141,576	236,636,756	287,183,200	325,553,686
Unclaimed Property	7,419,763	8,458,048	14,490,000	8,570,000
Other Sources	454,454,189	454,615,267	379,790,427	362,733,318
Total General Revenues	\$2,602,949,742	\$2,750,756,475	\$2,800,684,787	\$2,958,333,287

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2004 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	853,310,000	1,590,000	-	854,900,000
General Business Taxes				
Business Corporations*	65,060,000	3,440,000	-	68,500,000
Public Utilities Gross Earnings	77,800,000	-	-	77,800,000
Financial Institutions	1,500,000	(15,000,000)	-	(13,500,000)
Insurance Companies	50,600,000	-	-	50,600,000
Bank Deposits	1,430,000	300,000	-	1,730,000
Health Care Provider Assessment	40,940,000	260,000	-	41,200,000
Sales and Use Taxes				
Sales and Use	812,205,533	3,794,467	-	816,000,000
Motor Vehicle	48,200,000	700,000	-	48,900,000
Motor Fuel	620,000	80,000	-	700,000
Cigarettes	119,220,000	2,180,000	-	121,400,000
Alcohol	10,300,000	-	-	10,300,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	30,700,000	(2,200,000)	-	28,500,000
Racing and Athletics	5,000,000	(100,000)	-	4,900,000
Realty Transfer	8,900,000	1,900,000	-	10,800,000
Total Taxes	2,125,785,533	(3,055,533)	-	2,122,730,000
Departmental Receipts	287,037,601	(37,601)	11,164,360	298,164,360
Taxes and Departmentals	2,412,823,134	(3,093,134)	11,164,360	2,420,894,360
Other Sources				
Gas Tax Transfer	6,608,000	-	472,000	7,080,000
Other Miscellaneous	71,341,582	(304,355)	-	71,037,227
Lottery	301,770,293	(18,670,293)	4,083,200	287,183,200
Unclaimed Property	12,900,000	1,590,000	-	14,490,000
Other Sources	392,619,875	(17,384,648)	4,555,200	379,790,427
Total General Revenues	2,805,443,009	(20,477,782)	15,719,560	2,800,684,787

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2005 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to the Adopted Estimates	Total
Personal Income Tax	893,100,000	13,225,867	906,325,867
General Business Taxes			
Business Corporations*	70,000,000	7,628,676	77,628,676
Public Utilities Gross Earnings	79,000,000	-	79,000,000
Financial Institutions	8,500,000	-	8,500,000
Insurance Companies	51,400,000	-	51,400,000
Bank Deposits	1,760,000	-	1,760,000
Health Care Provider Assessment	45,100,000	-	45,100,000
Sales and Use Taxes			
Sales and Use	850,000,000	4,289,528	854,289,528
Motor Vehicle	50,500,000	-	50,500,000
Motor Fuel	720,000	-	720,000
Cigarettes	116,300,000	38,433,341	154,733,341
Alcohol	10,600,000	-	10,600,000
Controlled Substances	-	-	-
Other Taxes			
Inheritance and Gift	28,500,000	-	28,500,000
Racing and Athletics	4,800,000	-	4,800,000
Realty Transfer	10,900,000	-	10,900,000
Total Taxes	2,221,180,000	63,577,412	2,284,757,412
Departmental Receipts	227,800,000	83,042,557	310,842,557
Taxes and Departmentals	2,448,980,000	146,619,969	2,595,599,969
Other Sources			
Gas Tax Transfer	6,720,000	2,880,000	9,600,000
Other Miscellaneous	10,116,632	8,893,000	19,009,632
Lottery	315,000,000	10,553,686	325,553,686
Unclaimed Property	8,570,000	-	8,570,000
Other Sources	340,406,632	22,326,686	362,733,318
Total General Revenues	2,789,386,632	168,946,655	2,958,333,287

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

General Revenue Changes to Adopted Estimates

FY 2004

Departmental Revenues

Sales and Services

MHRH: Enhance Uncompensated Care Revenues at Slater Hospital 10,024,940

Subtotal: Sales and Service \$10,024,940

Miscellaneous Departmental Revenues

DEA: Increased RIPAE Pharmaceutical Rebates 710,856

DHS: Child Support Enforcement Parent Distribution 428,564

Subtotal: Miscellaneous Departmental Revenues \$1,139,420

Subtotal: All Departmental Revenues \$11,164,360

Other Sources

Gas Tax

RIPTA: Transfer \$0.006 of Gas Tax Allocation to General Fund 472,000

Subtotal: Gas Tax \$472,000

Other Miscellaneous

Lottery: Eliminate the Dog Kennel Owners Share of VLT NTI 4,083,200

Subtotal: Other Miscellaneous \$4,083,200

Subtotal: Other Sources \$4,555,200

Total FY 2004 General Revenue Adjustments \$15,719,560

General Revenue Changes to Adopted Estimates

FY 2005

Taxes

Personal Income Tax

Require Income Tax Withholding for Nonresident Shareholders	2,000,000
Repeal Enterprise Zone Wage Tax Credit	2,578,995
Repeal Enterprise Zone Donations Tax Credit	649,414
Repeal Enterprise Zone Interest Income Tax Credit	194,078
Repeal ISO Certification Tax Credit	6,718
Repeal SBA Loan Guaranty Fee Tax Credit	465,289
Fiscal Fitness: Require Tax Clearance for State Issued Licenses	6,500,000
Fiscal Fitness: Increase Division of Taxation Field Auditors by 6.0 FTE	831,373

Subtotal: Personal Income Taxes **\$13,225,867**

General Business Taxes

Corporate Income Tax: Repeal Enterprise Zone Wage Tax Credit	426,370
Corporate Income Tax: Repeal Enterprise Zone Donations Tax Credit	26,306
Corporate Income Tax: Repeal Enterprise Zone Interest Income Tax Credit	7,000
Corporate Income Tax: Repeal ISO Certification Tax Credit	34,300
Corporate Income Tax: Repeal SBA Loan Guaranty Fee Tax Credit	91,700
Corporate Income Tax: Increase Corporate Minimum and Franchise Taxes	7,043,000

Subtotal: General Business Taxes **\$7,628,676**

Sales and Use Taxes

Sales Tax: Collections on Increased Cigarette Tax	2,393,947
Cigarette Tax: Increase Cigarette Tax by \$0.75 per Pack	34,199,240
Cigarette Tax: Cigarette Floor Stock Tax from Higher Cigarette Tax	3,659,924
Cigarette Tax: Freeze Cigarette Stamping Discount at Current Level	574,177
Fiscal Fitness: Prepayment of Sales Tax on Cigarettes	1,895,581

Subtotal: Sales and Use Taxes **\$42,722,869**

Subtotal: All Taxes **\$63,577,412**

General Revenue Changes to Adopted Estimates

FY 2005

Departmental Revenues

Licenses and Fees

DLT: Increase Licensing Exam Fees for Apprentice Trades	124,800
DHS: Reinststitute Hospital Licensing Fee	62,446,919
Fiscal Fitness: Increase Various Licenses and Fees for DEM	292,298
Fiscal Fitness: Increase Various Licenses and Fees for DBR	611,090
Fiscal Fitness: Implement Child Care Facility Licensing Fee for DCYF	386,300
Fiscal Fitness: Increase DOE Teacher Certification Fees	450,000
Fiscal Fitness: Institute Annual Fee for DOA Tobacco Dealers License	40,000
Fiscal Fitness: Increase DOH License Fees for Assissted Living Facilities	101,995
Fiscal Fitness: Increase DOH License Fees for Nursing Facilities	588,435
Fiscal Fitness: Increase DOT Fee for Physical Alteration Permits	211,700

Subtotal: Licenses and Fees **\$65,253,537**

Fines and Penalties

Judiciary: Income Tax Refund Intercept for Fines Owed	3,996,761
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Subtotal: Fines and Penalties **\$3,996,761**

Sales and Services

DEM: Sale of Surplus Land - Promet Property	1,000,000
MHRH: Enhance Uncompensated Care Revenues at Slater Hospital	10,551,250

Subtotal: Sales and Services **\$11,551,250**

Miscellaneous Departmental Revenues

DEA: Increased RIPAE Pharmaceutical Rebates for Expanded Formulary	1,220,059
DEA: Decreased RIPAE Pharmaceutical Rebates for Medicare Drug Card	(679,050)
Fiscal Fitness: Eliminate Child Support Enforcement Parent Distribution	1,700,000

Subtotal: Miscellaneous Departmental Revenues **\$2,241,009**

Subtotal: All Departmental Revenues **\$83,042,557**

General Revenue Changes to Adopted Estimates

FY 2005

Other Sources

Gas Tax

RIPTA: Transfer \$0.006 of Gas Tax Allocation to General Fund 2,880,000

Subtotal: Gas Tax **\$2,880,000**

Other Miscellaneous

Resource Recovery Corporation: Transfer of Retained Earnings 4,300,000

Sinking Fund: Transfer Bond Proceeds Earnings to General Fund 4,000,000

Sinking Fund: Transfer Other Earnings to General Fund 173,000

Sinking Fund: Transfer DEPCO Proceeds to General Fund 420,000

Subtotal: Other Miscellaneous **\$8,893,000**

Lottery

Eliminate Dog Kennel Owners Allocation of Lincoln Park NTI 10,553,686

Subtotal: Lottery **\$10,553,686**

Subtotal: Other Sources **\$22,326,686**

Total FY 2005 General Revenue Adjustments **\$168,946,655**

Other Revenue Enhancements

FY 2005

Restricted Receipts

DCYF: Implement Parental Contribution Program	72,000
PUC: Expand \$0.26 Wireline Charge to Wireless for E-911 GIS	1,650,016

Subtotal: Restricted Receipts **\$1,722,016**

Total FY 2005 Other Revenue Adjustments **\$1,722,016**

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Appendix B

Changes to FY 2004

Changes to FY 2004 Enacted General Revenue Budget

	FY 2004 Enacted		FY 2004 Revised	Difference
Surplus				
Opening Surplus	\$ 35,708,894	\$	43,950,395	\$ 8,241,501
Reappropriated Surplus			7,991,948	7,991,948
Subtotal	35,708,894		51,942,343	16,233,449
General Taxes	2,125,785,533		2,125,785,533	-
Revenue estimators' revision	-		(3,055,533)	(3,055,533)
Subtotal	2,125,785,533		2,122,730,000	(3,055,533)
Departmental Revenues	287,037,601		287,037,601	-
Revenue estimators' revision			(37,601)	
Governor's changes to adopted estimates			11,164,360	11,164,360
Subtotal	287,037,601		298,164,360	11,164,360
Other Sources				
Gas Tax Transfers	6,608,000		6,608,000	-
Governor's changes to adopted estimates			472,000	472,000
Other Miscellaneous	71,341,582		71,341,582	-
Rev Estimators' revision-Miscellaneous	-		(304,355)	(304,355)
Lottery	301,770,293		301,770,293	-
Revenue Estimators' revision-Lottery	-		(18,670,293)	(18,670,293)
Governor's changes to adopted estimates			4,083,200	4,083,200
Unclaimed Property	12,900,000		12,900,000	-
Revenue Estimators' revision-Unclaimed	-		1,590,000	1,590,000
Subtotal	392,619,875		379,790,427	(12,829,448)
Total Revenues	\$ 2,805,443,009	\$	2,800,684,787	\$ (4,720,621)
Budget Stabilization	(56,823,039)		(56,892,704)	(69,666)
Total Available	\$ 2,784,328,865	\$	2,795,734,426	\$ 11,443,163
Actual/Enacted Expenditures	\$ 2,783,776,459	\$	2,783,776,459	-
Reappropriations	-		7,991,948	7,991,948
Certain anticipated audit adjustments				-
Recommended changes to appropriations	-		3,861,597	3,861,597
Total Expenditures	\$ 2,783,776,459	\$	2,795,630,004	\$ 11,853,545
Free Surplus	\$ 552,406	\$	104,422	\$ (410,382)
Reappropriations	-		-	-
Total Ending Balances	\$ 552,406	\$	104,422	\$ (410,382)
Budget Reserve and Cash				
Stabilization Account	\$ 85,234,557	\$	85,339,055	\$ 104,498

Changes to FY 2004 Enacted Revenue Estimates

	Enacted	Revenue Estimating Conference Estimates	Changes to Adopted Estimates	Total
Personal Income Tax	853,310,000	1,590,000	-	854,900,000
General Business Taxes				
Business Corporations*	65,060,000	3,440,000	-	68,500,000
Public Utilities Gross Earnings	77,800,000	-	-	77,800,000
Financial Institutions	1,500,000	(15,000,000)	-	(13,500,000)
Insurance Companies	50,600,000	-	-	50,600,000
Bank Deposits	1,430,000	300,000	-	1,730,000
Health Care Provider Assessment	40,940,000	260,000	-	41,200,000
Sales and Use Taxes				
Sales and Use	812,205,533	3,794,467	-	816,000,000
Motor Vehicle	48,200,000	700,000	-	48,900,000
Motor Fuel	620,000	80,000	-	700,000
Cigarettes	119,220,000	2,180,000	-	121,400,000
Alcohol	10,300,000	-	-	10,300,000
Controlled Substances	-	-	-	-
Other Taxes				
Inheritance and Gift	30,700,000	(2,200,000)	-	28,500,000
Racing and Athletics	5,000,000	(100,000)	-	4,900,000
Realty Transfer	8,900,000	1,900,000	-	10,800,000
Total Taxes	2,125,785,533	(3,055,533)	-	2,122,730,000
Departmental Receipts	287,037,601	(37,601)	11,164,360	298,164,360
Taxes and Departmentals	2,412,823,134	(3,093,134)	11,164,360	2,420,894,360
Other Sources				
Gas Tax Transfer	6,608,000	-	472,000	7,080,000
Other Miscellaneous	71,341,582	(304,355)	-	71,037,227
Lottery	301,770,293	(18,670,293)	4,083,200	287,183,200
Unclaimed Property	12,900,000	1,590,000	-	14,490,000
Other Sources	392,619,875	(17,384,648)	4,555,200	379,790,427
Total General Revenues	2,805,443,009	(20,477,782)	15,719,560	2,800,684,787

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2005 Adopted Revenue Estimates

	Revenue Estimating Conference Estimates	Changes to the Adopted Estimates	Total
Personal Income Tax	893,100,000	13,225,867	906,325,867
General Business Taxes			
Business Corporations*	70,000,000	7,628,676	77,628,676
Public Utilities Gross Earnings	79,000,000	-	79,000,000
Financial Institutions	8,500,000	-	8,500,000
Insurance Companies	51,400,000	-	51,400,000
Bank Deposits	1,760,000	-	1,760,000
Health Care Provider Assessment	45,100,000	-	45,100,000
Sales and Use Taxes			
Sales and Use	850,000,000	4,289,528	854,289,528
Motor Vehicle	50,500,000	-	50,500,000
Motor Fuel	720,000	-	720,000
Cigarettes	116,300,000	38,433,341	154,733,341
Alcohol	10,600,000	-	10,600,000
Controlled Substances	-	-	-
Other Taxes			
Inheritance and Gift	28,500,000	-	28,500,000
Racing and Athletics	4,800,000	-	4,800,000
Realty Transfer	10,900,000	-	10,900,000
Total Taxes	2,221,180,000	63,577,412	2,284,757,412
Departmental Receipts	227,800,000	83,042,557	310,842,557
Taxes and Departmentals	2,448,980,000	146,619,969	2,595,599,969
Other Sources			
Gas Tax Transfer	6,720,000	2,880,000	9,600,000
Other Miscellaneous	10,116,632	8,893,000	19,009,632
Lottery	315,000,000	10,553,686	325,553,686
Unclaimed Property	8,570,000	-	8,570,000
Other Sources	340,406,632	22,326,686	362,733,318
Total General Revenues	2,789,386,632	168,946,655	2,958,333,287

* Business Corporations Taxes was merged with Franchise Taxes at the May 2003 Revenue Estimating Conference.

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
<u>General Government</u>				
Administration				
Central Management	2,131,791	47,616		
Personnel			(15,434)	
Blue Cross Settlement Adjustment			(4,248)	
Actuarial Study of Retirement System			30,000	
Fiscal Fitness - Spend Analysis			200,000	
Purchased Services			(5,312)	
Miscellaneous Operating			1,032	
Advertising Expenses Judicial Nom. Comm.			4,500	
	2,131,791	47,616	210,538	2,389,945
Accounts & Control	9,703,397	27,621		
Personnel			58,219	
Blue Cross Settlement Adjustment			(7,807)	
Information Processing Rotary Costs			(145,566)	
Miscellaneous Operating			24,143	
Shift Retiree Health Subsidy to General Prog.			(5,185,227)	
	9,703,397	27,621	(5,256,238)	4,474,780
Budgeting	2,304,799	90,011		
Personnel			9,008	
Blue Cross Settlement Adjustment			(3,737)	
Purchased Services			(3,000)	
Operating			(21,431)	
	2,304,799	90,011	(19,160)	2,375,650
Municipal Affairs	1,253,325			
Personnel			(40,021)	
Blue Cross Settlement Adjustment			(2,789)	
Purchased Services			22,940	
Operating			17,081	
	1,253,325		(2,789)	1,250,536
Purchasing	1,916,327	70,000		
Personnel			69,737	
Blue Cross Settlement Adjustment			(5,243)	
Purchased Services			20,600	
Operating/Grants			(25,843)	
	1,916,327	70,000	59,251	2,045,578
Auditing	1,677,216			
Personnel			(3,775)	
Blue Cross Settlement Adjustment			(2,962)	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Operating	1,677,216		3,775 (2,962)	1,674,254
Human Resources	6,804,969	84,272		
Personnel			25,130	
Blue Cross Settlement Adjustment			(13,921)	
URI Healthcare Mgmt Center			105,000	
Blue Cross Settlement Audit			50,000	
Other Purchased Services			(43,322)	
Operating			114,963	
Grants			(15,935)	
	6,804,969	84,272	221,915	7,111,156
Personnel Appeal Board	116,182			
Personnel			3,905	
Blue Cross Settlement Adjustment			(80)	
Legal Services			(1,393)	
	116,182		2,432	118,614
Taxation	17,233,778	198,450		
Personnel			433,747	
Blue Cross Settlement Adjustment			(32,211)	
Purchased Services			(27,430)	
Operating			(209,956)	
Grants and Benefits			524	
	17,233,778	198,450	164,674	17,596,902
Registry	15,541,057	350,137		
Personnel			565,144	
Blue Cross Settlement Adjustment			(31,110)	
Security and Janitorial			83,885	
Operating Expenses			(199,760)	
Grants and Benefits			215	
	15,541,057	350,137	418,374	16,309,568
Child Support	3,294,395			
Personnel			80,987	
Blue Cross Settlement Adjustment			(6,660)	
Purchased Services			135,901	
Operating/Grants and Benefits			(216,888)	
	3,294,395		(6,660)	3,287,735
Central Services	14,291,837	1,894,491		
Energy Office Grants	356,407		20,126	
Personnel			(250,030)	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(22,901)	
Purchased Services			(269,305)	
Operating			711,345	
Grants and Benefits			111	
	14,648,244	1,894,491	189,346	16,732,081
Office of Library & Information Services	3,430,001			
Personnel			(71,035)	
Blue Cross Settlement Adjustment			(4,880)	
Purchased Services			426,875	
Operating			(385,645)	
Rivers Council Grants			5,250	
	3,430,001		(29,435)	3,400,566
General	229,924,239	1,456,360		
Motor Vehicle Exise Tax Rev Estimate			649,257	
Library Construction Aid			(380,348)	
General Revenue Sharing			12,469	
Shift of Retiree Health Subsidy from A&C			5,185,227	
Retiree Health Subsidy Adjustment			(222,963)	
Traveler's Aid Project			1,900,000	
Housing Resources Commission			(1,800,000)	
Blue Cross Settlement Adjustment			(690)	
EDC- Tuscany delegation			(100,000)	
Rivers Council Grants			(5,250)	
	229,924,239	1,456,360	5,237,702	236,618,301
Debt Service Payments	84,998,150			
General Obligation Debt Service			(14,697,000)	
General Obligation Debt Service			(1,837,500)	
Convention Center Authority			(1,703,825)	
Interest on TANS			6,228	
COPS - DLT Center General Bldg			(27,357)	
COPS - Center General Furniture			3,567	
COPS - Telecommunications			(15,205)	
COPS - Kent County Courthouse			(1,554,300)	
Fidelity Job Rent Credits			(589,000)	
	84,998,150		(20,414,392)	64,583,758
Sheriffs	14,016,893	37,370		
Personnel			(561,892)	
Blue Cross Settlement Adjustment			(38,503)	
Security and Temporary Services			53,649	
Operating/Grants and Benefits			172,857	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Withdrawal of Reappropriated Funds	14,016,893	37,370	(37,370) (411,259)	13,643,004
Total	408,994,763	4,256,328	(19,638,663)	393,612,428
Business Regulation				
Central Management	1,645,971			
Personnel			(302)	
Operating			46,086	
Blue Cross Settlement Adjustment			(2,440)	
	1,645,971		43,344	1,689,315
Banking Regulation	1,627,501			
Personnel			29,287	
Operating			14,270	
Blue Cross Settlement Adjustment			(2,666)	
	1,627,501		40,891	1,668,392
Securities Regulation	799,456			
Personnel			(5,365)	
Operating			1,836	
Blue Cross Settlement Adjustment			(1,787)	
	799,456		(5,316)	794,140
Commercial Licensing and Regulation	1,167,196			
Personnel			8,167	
Operating			4,733	
Blue Cross Settlement Adjustment			(2,009)	
	1,167,196		10,891	1,178,087
Racing and Athletics	718,056			
Personnel			(51,308)	
Jai Alai Administration			(39,995)	
Operating			5,426	
Blue Cross Settlement Adjustment			(871)	
	718,056		(86,748)	631,308
Insurance Regulation	3,598,012			
Personnel			(68,415)	
Contract Services			4,400	
Operating			5,884	
Gramm-Leach-Bliley		287,941		

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment	3,598,012	287,941	(7,008) (65,139)	3,820,814
Board of Accountancy	124,713			
Personnel			5,301	
Contract Services				
Operating				
Blue Cross Settlement Adjustment			(290)	
	124,713		5,011	129,724
Total	9,680,905	287,941	(57,066)	9,911,780

Labor and Training

Central Management	352,820			
Arbitration of Teacher Disputes			(20,068)	
Turnover Savings from Vacancy			(57,854)	
Blue Cross Settlement Adjustment			(875)	
Purchased Services			513	
Operating			523	
	352,820		(77,761)	275,059
Workforce Development Sevices	1,400,000			
	1,400,000			1,400,000
Workforce Regulation and Safety	2,872,587			
Personnel			2,443	
Operating			26,694	
Blue Cross Settlnent Adjustment			(6,511)	
Shift Expend. to Tardy and Interest Funds			(683,884)	
Grants and Benefits			36	
	2,872,587		(661,222)	2,211,365
Income Support	2,899,417			
Personnel and Operating			6,621	
Blue Cross Settlement Adjustment			(208)	
Police and Fire Relief Payments			257,542	
	2,899,417		263,955	3,163,372
Labor Relations Board	390,989			
Personnel			13,517	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(699)	
Operating			5,456	
	390,989		18,274	409,263
Total	7,915,813	-	(456,754)	7,459,059
Legislature				
Legislature	27,326,547			
General Assembly		225,000		
Capital TV		65,000		
Joint Committee on Legislative Affairs		1,444,898		
General Assembly			(48,267)	
Fiscal Advisory Staff			(47,932)	
Legislative Council			46,544	
Joint Committee on Legislative Affairs			45,090	
Auditor General			4,565	
Blue Cross Settlement Adjustment			(69,270)	
Total	27,326,547	1,734,898	(69,270)	28,992,175
Office of the Lieutenant Governor				
Lt. Governor's Office - General	860,138			
Reappropriation-Vehicle		3,203	(3,203)	
Salary & Fringe Costs			(19,200)	
Blue Cross Settlement Change			(1,401)	
DataLogic Request			5,827	
Computer Upgrades			6,622	
Vehicle Purchase-COPS			(7,500)	
Total	860,138	3,203	(18,855)	844,486
Secretary of State				
Administration	1,180,127			
Reallocate FTE's and Reorganization			222,372	
Blue Cross Settlement			(1,931)	
Maintenance Contract			3,500	
Legal Services			35,856	
Automotive Equipment/Maint.			(41,533)	
	1,180,127		218,264	1,398,391

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Corporations	1,785,231			
Reallocate FTE's and Reorganization			(220,702)	
Blue Cross Settlement			(4,462)	
Temporary Personnel Services			23,703	
Operating Expenses			(220)	
	1,785,231		(201,681)	1,583,550
State Archives	97,823			
Shift Personnel Costs to G.R			69,575	
Security and Fire Protection Services			1,000	
Shift Operating Expense to Restricted			(73,973)	
	97,823		(3,398)	94,425
Elections	363,039			
Fringe Benefit Costs			8,871	
Blue Cross Settlement			(677)	
Translation Services - Pres. Pref. Prim.			5,000	
Presidential Preference Primary			27,205	
	363,039		40,399	403,438
State Library	680,008			
Reduce Turnover & Adj. Fringe Ben.			31,353	
Blue Cross Settlement			(594)	
Operating			350	
	680,008		31,109	711,117
Office of Public Information	519,461			
Reallocate FTE's and Reorganization			(87,296)	
Blue Cross Settlement			(1,144)	
Education and Special Clerical Services			9,922	
Telephone, Printing & Other Operating			(14,983)	
	519,461		(93,501)	425,960
Total	4,625,689	-	(8,808)	4,616,881

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Office of the General Treasurer				
Treasury	2,550,213			
Payroll			18,776	
Operating			(34,995)	
Blue Cross Adjustment			(5,465)	
	2,550,213		(21,684)	2,528,529
RI Refunding Bond Authority	79,996			
Payroll			(14)	
Blue Cross Adjustment			(39)	
	79,996		(53)	79,943
Crime Victim Compensation Program	215,080			
Payroll			4,678	
Operating			11,555	
Station Fire Compensation Fund			800,000	
Blue Cross Adjustment			(551)	
	215,080		815,682	1,030,762
Total	2,845,289	-	793,945	3,639,234
Boards For Design Professionals				
Boards For Design Professionals	391,338			
Operating			6,091	
Personnel			(700)	
Purchased Services			1,000	
Legal Services			11,544	
Blue Cross Settlement Adjustment			(902)	
Total	391,338	-	17,033	408,371
Board of Elections				
Board Of Elections	1,365,467			
Salary and Fringe Benefits			22,723	
Blue Cross Settlement			(2,792)	
Purchased Legal Services			(20,000)	
Presidential Pref. Prim./Local Elections			38,875	
Building & Grounds/Misc. Operating			8,021	
Total	1,365,467	-	46,827	1,412,294

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
RI Ethics Commissions				
RI Ethics Commission	942,594			
Reappropriation- Program Operations		26,397		
Personnel Adjustments			(18,962)	
Operating Adjustments			(1,410)	
Blue Cross Settlement Adjustment			(1,779)	
Total	942,594	26,397	(22,151)	946,840
Office of the Governor				
Office Of Governor	4,277,878			
Reappropriation		184,356		
Blue Cross Settlement Change			(7,920)	
Total	4,277,878	184,356	(7,920)	4,454,314
Public Utilities Commission				
Public Utilities Commission	693,237			
Payroll			(8,603)	
Blue Cross Settlement Adjustment			(887)	
Contract Services			1,880	
Other Operating			1,410	
Benefits - Postemployment			63	
Total	693,237	-	(6,137)	687,100
Rhode Island Commission on Women				
Rhode Island Commission on Women	143,393			
Personnel			(77,798)	
Operating			2,567	
Blue Cross Settlement Adjustment			(80)	
Total	143,393	-	(75,311)	68,082
Sub-Total General Government	470,063,051	6,493,123	(19,503,130)	457,053,044

Human Services

Children, Youth, and Families

Central Management	7,688,399
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Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Salaries and Fringe Benefits			300,652	
Consultants			88,220	
Operating			(255,343)	
Grants and Benefits			451	
Blue Cross Settlement Adjustment			(9,693)	
	7,688,399		124,287	7,812,686
Children's Behavioral Health	19,349,256			
Salaries and Fringe Benefits			362,949	
Consultant Services			310,705	
Operating			30,980	
Grants and Benefits			1,527,873	
Blue Cross Settlement Adjustment			(2,311)	
	19,349,256		2,230,196	21,579,452
Juvenile Corrections	26,659,023			
Salaries and Fringe Benefits			162,426	
Consultant Services			116,310	
Operating			261,958	
Grants and Benefits			242,466	
Blue Cross Settlement Adjustment			(46,594)	
	26,659,023		736,566	27,395,589
Child Welfare	82,413,103			
Salaries and Fringe Benefits			(554,973)	
Consultant Services			(211,899)	
Operating			(349,093)	
Grants and Benefits			2,600,839	
Blue Cross Settlement Adjustment			(45,010)	
	82,413,103		1,439,864	83,852,967
Higher Education Opportunity Incentive Grant	200,000			
	Total	200,000		200,000
Total	136,309,781	-	4,530,913	140,840,694

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Elderly Affairs				
Elderly Affairs	27,694,995			
Personnel - Administrative Services			252,587	
Personnel - Program Services			(293,868)	
Operating			3,388	
Blue Cross Settlement Adjustment			(6,228)	
Rental of Outside Property			(31,982)	
RIPAE - Drug Cost			1,027,829	
RIPAE - Management Services			95,667	
Other Grants			-	
MMIS Medicaid Payments - Taxable			(9,096)	
Consultants			1,500	
Transportation- Paratransit Program			800,000	
All other				
Total	27,694,995	-	1,839,797	29,534,792
Health				
Central Management	2,646,349			
Payroll			(447,714)	
Blue Cross Settlement Adjustment			(5,256)	
Contract Services			13,086	
Other Operating			3,719	
	2,646,349		(436,165)	2,210,184
State Medical Examiner	1,810,305			
Payroll			(18,740)	
Blue Cross Settlement Adjustment			(2,788)	
Contract Services			10,295	
Other Operating			8,445	
	1,810,305		(2,788)	1,807,517
Family Health	8,636,010			
Payroll			(112,735)	
Blue Cross Settlement Adjustment			(3,233)	
Contract Services			71,886	
Other Operating			(2,999)	
Medicaid Adjustment			12,941	
Early Intervention Services			437,167	
	8,636,010		403,027	9,039,037
Health Services Regulation	4,487,878			
Payroll			(106,036)	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(9,755)	
Contract Services			180,551	
Other Operating			(11,446)	
Benefits - Postemployment			1,160	
	4,487,878		54,474	4,542,352
Environmental Health	4,384,145			
Payroll			(124,393)	
Blue Cross Settlement Adjustment			(9,902)	
Contract Services			104,775	
Other Operating			41,141	
Benefits - Retirees			1,040	
Medicaid Adjustment			(22,563)	
	4,384,145		(9,902)	4,374,243
Health Laboratories	6,179,326			
Payroll			71,392	
Blue Cross Settlement Adjustment			(12,421)	
Contract Services			3,570	
Other Operating			(73,310)	
Benefits - Retirees			(1,650)	
	6,179,326		(12,419)	6,166,907
Disease Prevention and Control	5,948,337			
Payroll			11,129	
Blue Cross Settlement Adjustment			(2,666)	
Contract Services			107,700	
Other Operating			3,724	
Grants Reallocation to Contract			(122,555)	
	5,948,337		(2,668)	5,945,669
Total	34,092,350	-	(6,441)	34,085,909

Human Services

Central Management	6,473,722			
Forand Building Maintenance		31,791		
Blue Cross Settlement Adjustment			(4,465)	
Operating Costs			(47,862)	
Turnover and offsets to increased indirect cost recoveries			(132,391)	
Reallocation, grants to HQF, State Funded		(65,000)		
	6,473,722	(33,209)	(184,718)	6,255,795
Individual and Family Support	20,137,036			
Information Services			132,666	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(32,254)	
Reallocation, InRhodes to Health Care		(197,699)		
Net other personnel and operating			2,780	
Office Rentals			52,607	
	20,137,036	(197,699)	155,799	20,095,136
Veterans' Affairs	16,340,861			
Reduced federal reimbursents			43,687	
Blue Cross Settlement Adjustment			(51,076)	
Contract services			100,656	
Net other personnel and operating			(6,787)	
	16,340,861		86,480	16,427,341
Health Care Quality, Financing and Purchasing	23,746,254			
HIPAA Contracting		234,998		
Blue Cross Settlement Adjustment			(25,160)	
Record Local Special Education Match			1,023,658	
Personnel, including vacancies			(843,197)	
Reallocation grant from Central Management		60,000		
Reallocation, InRhodes from IFS		197,699		
Operating			(179,281)	
Contract Services			556,177	
	23,746,254	492,697	532,197	24,771,148
Medical Benefits	449,738,713			
Caseload Conference			6,661,287	
Rite Care- Enhanced reimbursements to RIPTA			558,677	
Increased Uncompensated Care, State Match			4,588,023	
Additional Offsets to federal S-CHIP			(500,000)	
Revenue Maximization Initiative			(1,160,371)	
	449,738,713		10,147,616	459,886,329
S.S.I. Program- Caseload Conference	26,824,008		239,772	
	26,824,008		239,772	27,063,780
Family Independence Program	77,040,192			
TANF/FIP Caseload Conference			(7,558)	
Child Care- Caseload Conference			1,356,163	
TANF Grant Penalty from Child Support Enforcement			708,749	
Child Care - Increased federal resources			(5,449,802)	
	77,040,192		(3,392,448)	73,647,744

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
State Funded Programs	2,974,132			
Food Stamps-Caseload Conference				
GPA- Caseload Conference			4,068	
Reallocate grant from Central Management		5,000		
GPA- Hardship (non-CEC)			28,300	
	2,974,132	5,000	32,368	3,011,500
Total	623,274,918	266,789	7,617,066	631,158,773

Mental Health, Retardation, & Hospitals

Central Management	2,260,725			
Turnover Savings			(239,113)	
Blue Cross Settlement			(4,627)	
Consulting Engineer			59,850	
Information Technology Services			21,893	
	2,260,725		(161,997)	2,098,728
Hosp. & Community System Support	20,075,397			
Turnover Savings			(1,230,046)	
Blue Cross Settlement			(29,748)	
Power Plant Operating Contract			1,831,436	
Energy Consultant			140,000	
Other Purchased Services			(5,787)	
Temporary Boilers and Generators			426,082	
Utilities - Oil			1,404,382	
Utilities - Gas			1,358,644	
Utilities - Electricity			(239,998)	
Campus Repairs			(600,000)	
Utilities - Sewer			125,000	
Other Operating Adjustments			(23,869)	
Total	20,075,397		3,156,096	23,231,493
Services. for the Developmentally Disabled	94,583,493			
RICLAS Overtime and Turnover Sav.			912,715	
Blue Cross Settlement			(49,108)	
Purchased Services			84,682	
Group Home Insurance & Auto. Exp			81,427	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Rebase Private Comm. Grant based Ser. Pirovano Trust		52,498	(1,032,609)	
	94,583,493	52,498	(2,893)	94,633,098
Integrated Mental Health Services	33,660,790			
Shift Personnel to Federal/Turnover			(66,066)	
Blue Cross Settlement			(1,984)	
Medicaid Utilization			731,915	
In-Patient Psy. Hosp. to DSH - Pool I			(1,343,506)	
Inpatient Psychiatric Hospitalization			1,216,796	
	33,660,790		537,155	34,197,945
Hosp. & Community Rehab. Services	44,647,530			
Purch. Medical & Other Personnel Ser.			(16,949)	
Blue Cross Settlement			(100,210)	
Unachieved Ward Closures			1,750,729	
	44,647,530		1,633,570	46,281,100
Substance Abuse	14,339,975			
Shift Personnel to Federal/Turnover			(163,837)	
Blue Cross Settlement			(4,171)	
Information Processing & Other Oper.			27,184	
Medicaid Utilization			251,730	
	14,339,975		110,906	14,450,881
Total	209,567,910	52,498	5,272,837	214,893,245
Office of the Child Advocate	414,844			
Personnel Adjustments			59,911	
Personnel Cost Allocation				
Operating			5,200	
Blue Cross Settlement Adjustment			(1,066)	
Total	414,844	-	64,045	478,889

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Commission on Deaf and Hard of Hearing	285,014			
Personnel Adjustments			(10,658)	
Blue Cross Settlement Adjustment			(423)	
Strategic Plan & Internal Database			5,000	
Operating Adjustments			6,250	
Adjustment to Interpreter Services			(16,000)	
Total	285,014		(15,831)	269,183
Governor's Commission on Disabilities	534,430			
Personnel			3,549	
Contract Services			(1,313)	
Legal Services			(2,236)	
Operating			7,500	
Blue Cross Settlement Adjustment			(713)	
Total	534,430	-	6,787	541,217
Commission for Human Rights	895,306			
Net operating- rental increase			27,533	
Blue Cross Settlement Adjustment			(1,751)	
Irrecoverable Federal Costs, Prior Years			116,557	
Total	895,306	-	142,339	1,037,645
Office of the Mental Health Advocate	317,656			
Unrealized Turnover			4,281	
Blue Cross Settlement			(589)	
Purchased Medical Services			(1,939)	
Operating			(2,342)	
Total	317,656	-	(589)	317,067
Sub-Total Human Services	1,033,387,204	319,287	19,450,923	1,053,157,414

Education

Elementary and Secondary Education

State Education Aid	617,153,303			
Reappropriation-PSI		12,500		
Charter School Addition			233,168	
School Breakfast Surplus			(52,127)	
Total	617,153,303	12,500	181,041	617,346,844

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
School Housing Aid	40,747,193			
Housing Aid Adjustment			(113,077)	
	40,747,193		(113,077)	40,634,116
Teacher's Retirement	45,448,832			
Retirement Adjustment			763,774	
	45,448,832		763,774	46,212,606
RI School for the Deaf	5,631,171			
Personnel & Operating			83,201	
Blue Cross Settlement Change			(12,751)	
Facility A & E Costs			10,000	
Vision Serv-Perkins School			130,425	
	5,631,171		210,875	5,842,046
Central Falls School District	35,635,332			
	35,635,332			35,635,332
Davies Career & Technical School	11,329,692			
Personnel Costs			(240,347)	
Blue Cross Settlement Change			(22,987)	
Repair of Heating Units			185,000	
Operating Costs			(101,078)	
	11,329,692		(179,412)	11,150,280
Met. Career & Tech. School	5,750,000			
	5,750,000			5,750,000
Administration of the Comp. Education Strategy	14,873,548			
Reappropriation-IT Upgrade		60,000		
Reallocation- Hope High School Grant to OHE		(75,000)		
Reallocation from Transportation Study		10,000		
Reallocation- Drivers Education to Higher Education			(357,640)	
Personnel Costs			53,924	
Blue Cross Settlement Change			(14,944)	
Contract Services			12,488	
Education Comm. Of the States Dues			45,000	
Operating Costs			54,910	
Amer-I-can Grant Reduction			(50,000)	
	14,873,548	(5,000)	(256,262)	14,612,286

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Tranportation Study	10,000			
Reallocation to ACES		(10,000)		
	10,000	(10,000)		-
Total	776,579,071	(2,500)	606,939	777,183,510
Higher Education	172,088,777			
Reappropriation		176,149		
Reallocation- Hope High School Grant from RIDE		75,000		
Blue Cross Settlement Adjustment			(278,279)	
Total	172,088,777	251,149	(278,279)	172,061,647
RI Council On The Arts	2,314,223			
Film Office Restructuring			(3,748)	
Blue Cross Settlement Adjustment			(838)	
Restrict First Night grant			(8,000)	
Net other items			(1,196)	
Total	2,314,223	-	(13,782)	2,300,441
RI Atomic Energy Commission	646,012			
Atomic Energy Commission				
Personnel			54,655	
Operating			2,631	
Blue Cross Settlement Adjustment			(848)	
			-	
Total	646,012	-	56,438	702,450
RI Higher Education Assistance Authority	11,059,662			
Personnel Adjustments			(11,445)	
Operating			11,445	
New England Higher Ed. Compact				
Blue Cross Settlement Adjustment			(1,640)	
Total	11,059,662	-	(1,640)	11,058,022
RI Historical Preservation & Heritage Commission	1,074,360			
Personnel			10,909	
Blue Cross Settlement Adjustment			(3,238)	
Operating			(4,107)	
Eisenhower House Operating		20,502	(8,343)	
Total	1,074,360	20,502	(4,778)	1,090,084

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
RI Public Telecommunications Authority	1,196,530			
Reappropriation-Closed Captioning		16,500		
Reappropriation-Tower Lease Costs		39,338		
Salary & Fringe Benefits Increases			79,535	
Blue Cross Settlement Change			(2,081)	
Operating Increases-DTV Related			13,879	
Other Operating Adjustments			(16,350)	
Personnel Reductions			(56,956)	
Closed Captioning Adjustment			(25,000)	
Total	1,196,530	55,838	(6,973)	1,245,395
Sub-Total Education	964,958,635	324,989	357,925	965,641,549
<u>Public Safety</u>				
Attorney General				
Criminal	10,652,958			
Station Fire Consulting		89,000		
Station Fire Adjustment			(135,177)	
Personnel			(85,753)	
Purchased Services			2,232	
Operating			6,052	
	10,652,958	89,000	(212,646)	10,529,312
Civil	3,388,226			
Racial Profiling		14,890		
Civil Reappropriation		100,000		
Reduce .2 FTE			(15,047)	
Personnel			(62,926)	
Purchased Services			(56,450)	
Operating			(51,500)	
	3,388,226	114,890	(185,923)	3,317,193
Bureau of Criminal Identification	715,765			
BCI Maintenance Costs		3,000		
Personnel			(7,621)	
Purchased Services			(15,000)	
Operating			17,300	
	715,765	3,000	(5,321)	713,444

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
General	1,810,149			
General - Reappropriation		10,000		
Personnel			(113,955)	
Operating			(28,346)	
Basement Repairs			163,000	
	1,810,149	10,000	20,699	1,840,848
Total	16,567,098	216,890	(383,191)	16,400,797
Corrections				
Central Management	9,603,293			
Inmate Accounts		416,052	1,061	
VOI/TIS Admin Match		6,822	(3,684)	
Payroll			29,193	
Blue Cross Settlement Adjustment			(19,934)	
Medical Benefits			19,667	
Purchased Services			18,421	
Operating				
Recruitment Class			141,502	
	9,603,293	422,874	186,226	10,212,393
Parole Board	999,141			
Payroll			(25,524)	
Medical Benefits			9,375	
Blue Cross Settlement Adjustment			(1,905)	
Purchased Services			600	
Operating			6,570	
Sex Offender Community Notification			72,356	
	999,141		61,472	1,060,613
Institutional Custody	117,627,236			
Transfer to Central Management		(422,874)		
Transfer to Rehabilitative Services		(19,194,662)		
Other Payroll			(4,547,933)	
Medical Benefits			148,951	
Blue Cross Settlement Adjustment			(219,529)	
SCAAP Offset			(614,869)	
Federal Detainee Revenue Decrease			629,360	
Population-Related Overtime			1,244,600	
Unbudgeted Overtime (including briefing time)			7,965,573	
RIBCO Retro			41,805	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Other Purchased Services			13,311	
Other Operating			47,319	
Population-Related Operating (Food)			(828,811)	
Population-Related Operating (Other)			69,218	
Video Arraignment			72,000	
Grants and Benefits			(23,738)	
Capital Repairs			(95,000)	
Total	117,627,236	(19,617,536)	3,902,257	101,911,957
Rehabilitative Services	11,847,743			
Transfer from Institutional Custody		19,194,662		
Other Payroll			281,405	
Blue Cross Settlement Adjustment			(47,257)	
Medical Benefits			62,551	
Overtime			344,615	
Other Purchased Services			(13,332)	
Inpatient/Outpatient/Lab Services			760,564	
Medical Contract Services			89,880	
Physician Services			60,795	
Dental Services			79,325	
Psychiatric Services			121,522	
Laboratory Testing				
Operating			86,055	
Total	11,847,743	19,194,662	1,826,123	32,868,528
Total	140,077,413	-	5,976,078	146,053,491

Judiciary

Supreme Court	23,887,094			
Reduce Civil Computer System			(273,034)	
Increase Court Technology Imp			273,034	
Reduce Operating			(298,964)	
Reduce Purchased Services			(50,500)	
Shift Payroll Savings to other Courts			(438,946)	
Shift Pensions Savings to other Courts			(244,957)	
Increase Indigent Defense Fund			125,000	
Increase Grants (retiree health)			(1,145)	
Credit Card 1.7% Fee Payments			24,000	
Blue Cross Settlement Adjustment			(24,825)	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Shift Justice Link to Supreme Court			434,040	
	23,887,094		(476,297)	23,410,797
Justice Link	434,040			
Computer Equipment			(434,040)	
	434,040		(434,040)	-
Superior Court	16,681,473			
Shift Payroll from Supreme			49,011	
Increase Judicial Pensions			120,498	
Juror Transportation Program			125,000	
Reduce Juror Fees			(125,000)	
Purchased Sevices			61,800	
Grants (retiree health)			5,100	
Blue Cross Settlement Adjustment			(29,815)	
Increase Operating			27,761	
	16,681,473		234,355	16,915,828
Family Court	12,621,565			
Shift Payroll from Supreme			193,367	
Increase Purchased Services			71,253	
Increase Operating			55,843	
Blue Cross Settlement Adjustment			(31,099)	
Reduce Judicial Pensions			(101,819)	
	12,621,565		187,545	12,809,110
District Court	7,923,671			
Shift Payroll from Supreme			151,305	
Increase Purchased Services			37,769	
Increase Operating			58,488	
Shift Pension Savings to Other Courts			(22,581)	
Blue Cross Settlement Adustment			(14,988)	
Shift Grants from Supreme			75,000	
	7,923,671		284,993	8,208,664
Traffic Tribunal	6,219,918			
Shift Payroll from Supreme			45,263	
Decrease Purchased Services			(4,866)	
Increase Operating			64,215	
Increase Grants (retiree health)			89	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(13,249)	
Shift Pension Savings to Other Courts			(1,984)	
	6,219,918		89,468	6,309,386
Total	67,767,761	-	(113,976)	67,653,785
Military Staff				
National Guard	1,677,623			
Centralized Personnel Plan (CCP)			(68,428)	
Maintenance Employees			23,500	
Firefighters' Overtime			8,851	
Blue Cross Settlement Adjustment			(3,647)	
Other Payroll			(7,442)	
Firing Squads Transfer to Fed Funding			(64,487)	
Purchased Services			(500)	
Heating Oil Adjustment			23,366	
Insurance			(88)	
	1,677,623		(88,875)	1,588,748
Emergency Management	1,119,097			
Payroll-Overtime			25,000	
Other Payroll			7,442	
Wide Area Incident Tracking System			(600,000)	
	1,119,097		(567,558)	551,539
Total	2,796,720	-	(656,433)	2,140,287
E-911 Emergency Telephone System				
E-911 Emergency Telephone System	4,365,704			
E-911 Telephone Service		61,038		
GIS Database Development		11,000	83,208	
Personnel Savings			(90,773)	
Blue Cross Settlement Adjustment			(8,482)	
Operating			(10,196)	
Total	4,365,704	72,038	(26,243)	4,411,499
Fire Safety Code Commission				
Fire Code Commission	235,469			
Personnel Adjustments			(17,842)	
Operating			17,842	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Blue Cross Settlement Adjustment			(424)	
Total	235,469	-	(424)	235,045
State Fire Marshal				
State Fire Marshal	1,739,123			
Burn Trailer				
Personnel Adjustments			(233,137)	
Operating and Equipment			203,137	
Overtime			30,000	
Blue Cross Settlement Adjustment			(2,653)	
Total	1,739,123	-	(2,653)	1,736,470
Commission on Judicial Tenure and Discipline				
Commission on Judicial Tenure and Discipline	113,455			
Legal and Stenographic Services		20,000	10,026	
Payroll Turnover Savings			(17,941)	
Blue Cross Settlement Adjustment			(225)	
Operating			3,037	
Total	113,455	20,000	(5,103)	128,352
Rhode Island Justice Commission				
Rhode Island Justice Commission	163,492			
Payroll			(790)	
Blue Cross Settlement Adjustment			(272)	
Other Operating			790	
Total	163,492	-	(272)	163,220
Municipal Police Training Academy				
Municipal Police Training Academy	356,387			
Personnel Adjustments				
Blue Cross Settlement Adjustment			(902)	
Operating Adjustments				
Total	356,387	-	(902)	355,485
State Police				
State Police	40,575,638			
Reappropriation		110,276		
Personnel Reduction			(914,536)	
Contract Services Increase			42,645	
Blue Cross Settlement Change			(49,644)	
Auto Maintenance			(10,728)	
Operating-Repairs			33,537	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Operating-Staff Education			23,295	
Pension Costs			214,606	
Vehicle Purchase-Master Lease			(162,350)	
Total	40,575,638	110,276	(823,175)	39,862,739
Office Of Public Defender				
Public Defenders Office	6,567,522			
Unpaid FY 2003 Obligations		7,278		
Tax Escalator Adjustment			2,926	
Insurance			987	
Blue Cross Settlement Adjustment			(13,545)	
Vacancy Adjustment			(30,000)	
Court Improvement Federal Funds			(43,631)	
Total	6,567,522	7,278	(83,263)	6,491,537
Sub-Total Public Safety	281,325,782	426,482	3,880,443	285,632,707
<u>Natural Resources</u>				
Environmental Management				
Policy and Administration	8,194,611			
Personnel Adjustments			(60,182)	
Blue Cross Settlement Adjustment			(10,570)	
Operating Adjustments			(10,100)	
Assignment of OLIS charges			53,100	
	8,194,611		(27,752)	8,166,859
Natural Resources	15,053,323			
Personnel Adjustments			303,466	
Blue Cross Settlement Adjustment			(27,910)	
Overtime			42,650	
Host Beach Community Revenue Share			(115,461)	
Operating			(86,664)	
	15,053,323		116,081	15,169,404
Environmental Protection	7,769,300			
Personnel Adjustments			(18,663)	

Changes to FY 2004 Enacted General Revenue Expenditures

	FY2004 Enacted Appropriation	Reappropriation/ Appropriation Transfer	Supplemental Changes	FY 2004 Projected Expenditures
Operating			(11,000)	
Blue Cross Settlement Adjustment			(21,831)	
Reappropriation- Rose Hill Landfill		298,667	(298,667)	
	7,769,300	298,667	(350,161)	7,717,806
RIPDES	662,540			
	662,540			662,540
Total	31,679,774	298,667	(261,832)	31,716,609
Coastal Resources Management Council	1,421,021			
Database Management System		129,400	(27,980)	
Payroll Adjustments			25,420	
Blue Cross Settlement Adjustment			(3,021)	
Purchased Services Adjustments			(25,000)	
Agency Relocation			(30,000)	
Other Operating Adjustments			(845)	
Total	1,421,021	129,400	(61,426)	1,488,995
State Water Resources Board	940,992			
Security Services			300	
Operating			(300)	
Blue Cross Settlement Adjustment			(1,306)	
Total	940,992	-	(1,306)	939,686
Sub-Total Environment	34,041,787	428,067	(324,564)	34,145,290
Statewide General Revenue Total	2,783,776,459	7,991,948	3,861,597	2,795,630,004

Changes to FY 2004 Enacted Transportation Expenditures

	FY2004 Enacted Appropriation	Carry Over From FY2003 Appropriations	Supplemental Changes	FY2004 Recommend
Transportation ISTEA Fund Changes				
Central Management	3,263,692			
Payroll			157,093	
Purchased Services			(9,000)	
Operating			24,750	
Capital Improvements			31,009	
	3,263,692		203,852	3,467,544
Management & Budget	2,065,834			
Payroll			(138,747)	
Operating			6,400	
Capital Improvements			(16,526)	
	2,065,834		(148,873)	1,916,961
Infrastructure-Maintenance	39,117,378			
Payroll			(529,140)	
Purchased Services			(91,600)	
Operating			84,513	
Winter Maintenance Operations		333,666	458,735	
Winter Maintenance Overtime			120,000	
Capital Improvements			50,000	
	39,117,378	333,666	92,508	39,543,552
Infrastructure-Engineering	53,608,993			
Payroll			(165,881)	
Purchased Services			(25,000)	
Operating			(29,768)	
RIPTA Debt Service Savings			26,250	
RIPTA Gas Tax Allocation Decrease			(472,000)	
Capital Improvements			73,161	
	53,608,993		(593,238)	53,015,755
Total Transportation	98,055,897	333,666	(445,751)	97,943,812
Gas tax budgeted outside DOT				
DOT Debt service	31,784,914		(787,500) *	30,997,414
RIPTA Debt Service	431,190		(26,250)	404,940
Gas tax budgeted in DOA-planning	32,216,104	-	(813,750)	31,402,354

Changes to FY 2004 Enacted Transportation Expenditures

	FY2004 Enacted Appropriation	Carry Over From FY2003 Appropriations	Supplemental Changes	FY2004 Recommend
DEA- Elderly Transportation	4,720,000		-	4,720,000
Total Gas Tax for Transportation	134,992,001	333,666	(1,259,501)	134,066,166

* This savings will be reallocated to FY 2005 in order for the Department to meet necessary spending increases.

Changes are reflective of gas tax funding only.

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Appendix C
Aid to Cities and
Towns

Formula Aid to Cities and Towns

The Governor's FY 2005 budget recommends formula aid to cities and towns totaling \$215.8 million. This represents a 0.2 percent, or \$0.4 million, increase from the FY 2004 revised level of funding. The tables on the following pages display FY 2004 and FY 2005 recommended levels of funding for formula aid to cities and towns by community. The narrative below describes each of the programs included on the tables.

General Revenue Sharing - Beginning in FY 1994, one percent of total state tax revenues from the second prior fiscal year was earmarked for general state aid to cities and towns. Beginning in FY 1999, this percentage was to increase annually until reaching 4.7 percent by FY 2009. These funds are distributed based on a legislated formula encompassing per-capita income and the taxes imposed by each city or town for public purposes, excluding amounts allocated to education expenses. The Governor proposes that funding for this program be level funded in FY 2005 at the same dollar level as FY 2004 and to delay the annual increases in the percentage of general revenue distributed each fiscal year by one year beginning in FY 2006.

Payment in Lieu of Taxes - Legislation creating this program enables the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property which are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veterans facility, or correctional facility. Reimbursement is made for twenty-seven percent of all tax that would have been collected had the property been taxable, prorated by the amount appropriated for a given year.

Distressed Communities Relief Fund - This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. The Governor proposes to set the amount of funding distributed under this program to the amount enacted in the annual appropriations act, as opposed to the amounts collected from the Real Estate Conveyance Tax and a share of Video Lottery Terminal revenue.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt from local taxation, but is subject to taxation by the state. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population to the population of the state as a whole.

State Library Aid - This program provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly. The Governor recommends continuing the phase-out at the current \$4,500 reimbursement level. The FY 2005 Appropriations Act includes an article that would amend the Motor Vehicle and Trailer Excise Tax Elimination Act of 1998, by providing for state reimbursement of lost excise tax revenues to cities and towns based upon the *prior* local fiscal year. The change in reimbursement from a concurrent to a prior local fiscal year basis would begin in state fiscal 2005.

Fiscal Year 2004 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2004 Total State Aid
Barrington	231,191	71,029	-	261,919	276,378	2,197,524	3,038,041
Bristol	805,463	421,492	-	349,905	75,665	1,118,422	2,770,947
Burrillville	610,930	76,977	-	245,988	61,881	2,053,956	3,049,732
Central Falls	1,346,691	20,649	182,474	294,762	63,470	1,208,411	3,116,457
Charlestown	346,452	-	-	122,387	39,137	374,379	882,355
Coventry	925,367	-	-	524,305	138,258	2,147,241	3,735,171
Cranston	3,293,868	2,611,611	-	1,234,440	479,014	9,485,112	17,104,045
Cumberland	1,067,249	81	-	495,838	183,570	2,048,308	3,795,046
East Greenwich	170,999	4,592	-	201,637	77,310	1,041,805	1,496,343
East Providence	2,200,038	63,139	-	758,208	430,627	4,994,050	8,446,062
Exeter	86,974	-	-	94,138	8,495	718,053	907,660
Foster	231,403	266	-	66,558	37,500	578,603	914,330
Glocester	442,690	-	-	154,918	57,839	868,250	1,523,697
Hopkinton	190,356	-	-	122,028	40,759	597,217	950,360
Jamestown	181,533	5	-	87,550	56,930	317,721	643,739
Johnston	2,006,020	-	-	439,075	117,925	4,114,297	6,677,317
Lincoln	577,113	-	-	325,440	151,390	2,195,453	3,249,396
Little Compton	89,499	-	-	55,953	22,962	214,723	383,137
Middletown	826,214	-	-	269,939	118,971	881,663	2,096,787
Narragansett	681,586	-	-	254,787	91,730	957,099	1,985,202
Newport	1,778,150	450,882	-	412,290	291,129	1,455,950	4,388,401
New Shoreham	71,860	-	-	15,728	67,411	65,343	220,342
North Kingstown	821,676	8,265	-	409,969	214,401	2,179,062	3,633,373
North Providence	1,897,449	385,144	-	504,730	155,319	3,941,255	6,883,897
North Smithfield	618,281	43,886	-	165,352	50,928	1,501,993	2,380,440
Pawtucket	4,490,377	311,780	1,324,945	1,136,160	309,373	8,006,234	15,578,869
Portsmouth	553,213	10,206	-	267,058	92,657	1,180,727	2,103,861
Providence	12,352,585	15,427,635	4,624,560	2,703,718	1,392,690	18,908,768	55,409,956
Richmond	162,490	426	-	112,467	24,792	578,451	878,626
Scituate	320,753	-	-	160,774	72,783	1,155,251	1,709,561
Smithfield	1,268,058	514,316	-	321,002	192,547	2,641,772	4,937,695
South Kingstown	928,824	123,224	-	434,808	148,885	1,578,608	3,214,349
Tiverton	523,660	-	-	237,641	59,477	1,022,440	1,843,218
Warren	416,220	-	-	176,907	43,788	854,507	1,491,422
Warwick	4,034,001	845,581	-	1,336,271	553,600	10,654,567	17,424,020
Westerly	447,184	149,941	-	357,645	98,381	2,238,068	3,291,219
West Greenwich	144,375	-	-	79,188	21,264	395,962	640,789
West Warwick	1,246,456	-	730,173	460,659	162,328	2,432,650	5,032,266
Woonsocket	3,051,285	174,990	671,181	673,119	190,936	4,207,412	8,968,923
Subtotal	51,438,532	21,716,117	7,533,333	16,325,261	6,672,500	103,111,305	206,797,048
Statewide Reference Library Resource Grant (Providence)					880,110		880,110
Library Construction Reimbursement					2,156,852		2,156,852
Motor Vehicle Excise Tax Reimbursement - Fire Districts						1,875,837	1,875,837
Total	51,438,532	21,716,117	7,533,333	16,325,261	9,709,462	104,987,142	211,709,847

Fiscal Year 2005 State Aid to Cities and Towns

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement Value of Exemption	FY 2005 Total State Aid
Barrington	229,817	45,778	-	261,919	291,805	2,197,524	3,026,844
Bristol	810,006	402,085	-	349,905	69,440	1,118,422	2,749,859
Burrillville	594,614	75,065	-	245,988	65,836	2,053,956	3,035,459
Central Falls	1,346,691	19,221	177,470	294,762	62,193	1,208,411	3,108,747
Charlestown	365,131	-	-	122,387	41,382	374,379	903,278
Coventry	900,360	-	-	524,305	147,975	2,147,241	3,719,881
Cranston	3,138,652	3,222,639	-	1,234,440	482,604	9,485,112	17,563,447
Cumberland	1,146,432	78	-	495,838	211,424	2,048,308	3,902,081
East Greenwich	185,721	6,924	-	201,637	81,773	1,041,805	1,517,859
East Providence	2,232,666	61,984	-	758,208	460,448	4,994,050	8,507,357
Exeter	84,052	-	-	94,138	8,495	718,053	904,739
Foster	248,097	243	-	66,558	34,756	578,603	928,257
Glocester	467,723	-	-	154,918	57,482	868,250	1,548,373
Hopkinton	180,761	-	-	122,028	35,700	597,217	935,706
Jamestown	158,970	5	-	87,550	62,279	317,721	626,525
Johnston	2,006,020	-	-	439,075	121,700	4,114,297	6,681,092
Lincoln	795,933	-	-	325,440	158,808	2,195,453	3,475,633
Little Compton	87,359	-	-	55,953	23,524	214,723	381,558
Middletown	826,723	-	-	269,939	129,464	881,663	2,107,789
Narragansett	689,792	-	-	254,787	99,601	957,099	2,001,279
Newport	1,695,772	488,585	-	412,290	325,323	1,455,950	4,377,920
New Shoreham	71,860	-	-	15,728	76,634	65,343	229,565
North Kingstown	791,242	7,935	-	409,969	224,789	2,179,062	3,612,998
North Providence	1,912,251	378,192	-	504,730	162,852	3,941,255	6,899,279
North Smithfield	685,564	42,268	-	165,352	51,913	1,501,993	2,447,090
Pawtucket	4,491,808	266,642	1,274,051	1,136,160	340,048	8,006,234	15,514,943
Portsmouth	537,235	9,700	-	267,058	99,762	1,180,727	2,094,482
Providence	12,352,585	14,887,456	4,698,515	2,703,718	1,383,492	18,908,768	54,934,534
Richmond	143,044	414	-	112,467	22,069	578,451	856,445
Scituate	365,419	-	-	160,774	79,690	1,155,251	1,761,134
Smithfield	1,321,182	520,583	-	321,002	208,202	2,641,772	5,012,742
South Kingstown	804,870	120,068	-	434,808	156,530	1,578,608	3,094,884
Tiverton	462,488	-	-	237,641	66,270	1,022,440	1,788,839
Warren	378,106	-	-	176,907	40,858	854,507	1,450,378
Warwick	3,972,974	817,374	-	1,336,271	575,279	10,654,567	17,356,465
Westerly	565,465	174,069	-	357,645	99,118	2,238,068	3,434,365
West Greenwich	158,847	-	-	79,188	20,301	395,962	654,298
West Warwick	1,254,258	-	716,871	460,659	174,696	2,432,650	5,039,134
Woonsocket	2,978,043	168,808	666,426	673,119	198,538	4,207,412	8,892,346
Subtotal	51,438,532	21,716,117	7,533,333	16,325,261	6,953,054	103,111,305	207,077,602
Statewide Reference Library Resource Grant (Providence)					880,110		880,110
Library Construction Reimbursement					2,621,329		2,621,329
Motor Vehicle Excise Tax Reimbursement - Fire Districts						1,875,837	1,875,837
Total	51,438,532	21,716,117	7,533,333	16,325,261	10,454,493	104,987,142	212,454,878

Changes in Formula Aid - FY 2005 vs. FY 2004

City or Town	General Revenue Sharing	Payment In Lieu of Tax Exempt Property	Distressed Community Relief Fund	Public Service Corporation Tax	State Library Aid	Motor Vehicle Excise Tax Reimbursement	Total Difference
Barrington	(1,374)	(25,251)	-	-	15,427	-	(11,197)
Bristol	4,543	(19,407)	-	-	(6,225)	-	(21,088)
Burrillville	(16,316)	(1,912)	-	-	3,955	-	(14,273)
Central Falls	(0)	(1,428)	(5,004)	-	(1,277)	-	(7,709)
Charlestown	18,679	-	-	-	2,245	-	20,924
Coventry	(25,007)	-	-	-	9,717	-	(15,290)
Cranston	(155,216)	611,028	-	-	3,590	-	459,402
Cumberland	79,183	(3)	-	-	27,854	-	107,034
East Greenwich	14,722	2,332	-	-	4,463	-	21,516
East Providence	32,628	(1,155)	-	-	29,821	-	61,294
Exeter	(2,922)	-	-	-	-	-	(2,922)
Foster	16,694	(23)	-	-	(2,744)	-	13,928
Glocester	25,033	-	-	-	(357)	-	24,676
Hopkinton	(9,595)	-	-	-	(5,059)	-	(14,654)
Jamestown	(22,563)	0	-	-	5,349	-	(17,214)
Johnston	(0)	-	-	-	3,775	-	3,775
Lincoln	218,820	-	-	-	7,418	-	226,238
Little Compton	(2,140)	-	-	-	562	-	(1,579)
Middletown	509	-	-	-	10,493	-	11,002
Narragansett	8,206	-	-	-	7,871	-	16,077
Newport	(82,378)	37,703	-	-	34,194	-	(10,481)
New Shoreham	(0)	-	-	-	9,223	-	9,223
North Kingstown	(30,434)	(330)	-	-	10,388	-	(20,376)
North Providence	14,802	(6,952)	-	-	7,533	-	15,382
North Smithfield	67,283	(1,618)	-	-	985	-	66,650
Pawtucket	1,431	(45,138)	(50,894)	-	30,675	-	(63,926)
Portsmouth	(15,978)	(506)	-	-	7,105	-	(9,379)
Providence	0	(540,179)	73,955	-	(9,198)	-	(475,422)
Richmond	(19,446)	(12)	-	-	(2,723)	-	(22,181)
Scituate	44,666	-	-	-	6,907	-	51,573
Smithfield	53,124	6,267	-	-	15,655	-	75,047
South Kingstown	(123,954)	(3,156)	-	-	7,645	-	(119,465)
Tiverton	(61,172)	-	-	-	6,793	-	(54,380)
Warren	(38,114)	-	-	-	(2,930)	-	(41,044)
Warwick	(61,027)	(28,207)	-	-	21,679	-	(67,555)
Westerly	118,281	24,128	-	-	737	-	143,146
West Greenwich	14,472	-	-	-	(963)	-	13,509
West Warwick	7,802	-	(13,302)	-	12,368	-	6,868
Woonsocket	(73,242)	(6,182)	(4,755)	-	7,602	-	(76,577)
Subtotal	-	-	-	-	280,554	-	280,554
Statewide Reference Library Resource Grant (Providence)					-	-	-
Library Construction Reimbursement					464,477	-	464,477
Motor Vehicle Excise Tax Reimbursement - Fire Districts					-	-	-
Total	-	-	-	-	745,031	-	745,031

Appendix D

Aid to Schools

Education Aid to Local Units of Government

Education Aid to Local Governments totals \$773.7 million in FY 2005, an \$11.1 million increase in state support relative to the FY 2004 revised budget. Education Aid is defined to include the state schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, and the Metropolitan Career and Technical School as well as support for teacher retirement and school construction. Aid to school districts is funded at the FY 2004 level of \$667.1 million inclusive of changes in support of the Davies School, Metropolitan School and the Charter schools.

Distributed education aid changes are as follows:

- Charter Schools, \$5.4 million;
- Davies School, \$0.4 million;
- Metropolitan School, \$2.1 million;
- General Operations Aid, -\$7.9 million

An additional \$6.4 million is required for Teacher Retirement obligations. Increases in School Construction cost reimbursements of \$4.1 million are also supported.

The following table displays the FY 2004 and FY 2005 education aid budgets. Definitions for the columns in the Education Aid table are noted below.

FY 2004 and FY 2005 Total Education Aid: FY 2004 and FY 2005 Education Aid includes the following categories as designated in each table. For both years, allocations for Capital Construction Aid, state contributions to the Teacher Retirement Fund, funds for the Hasbro Children's Hospital, for Textbook expansion, for On-Site Visits, for Progressive Support and Intervention, for School Breakfast, and for the Professional Development funds held by the Department are included in combined totals and are not displayed by community. Direct Aid to Charter Schools, the Davies School and the Metropolitan School has been allocated to the sending community for both years. These allocations are summarized in the "full distribution" tables.

Education Aid to Local Units of Government

	FY 2004	FY 2005	Difference
Barrington	\$2,459,468	\$2,463,137	\$3,669
Burrillville	\$13,140,565	\$12,923,711	(\$216,854)
Central Falls	\$38,151,961	\$39,485,753	\$1,333,792
Charlestown	\$1,879,157	\$1,800,698	(\$78,459)
Coventry	\$18,907,639	\$18,619,264	(\$288,375)
Cranston	\$33,593,657	\$33,620,555	\$26,898
Cumberland	\$12,681,973	\$12,525,049	(\$156,924)
East Greenwich	\$1,796,345	\$1,781,958	(\$14,387)
East Providence	\$25,097,573	\$24,794,973	(\$302,600)
Foster	\$1,329,900	\$1,311,867	(\$18,033)
Glocester	\$2,995,087	\$2,935,813	(\$59,274)
Hopkinton	\$5,902,911	\$5,802,086	(\$100,825)
Jamestown	\$486,504	\$492,894	\$6,390
Johnston	\$10,200,117	\$10,124,001	(\$76,116)
Lincoln	\$7,641,430	\$7,689,394	\$47,964
Little Compton	\$325,831	\$336,498	\$10,667
Middletown	\$9,929,341	\$9,716,003	(\$213,338)
Narragansett	\$1,723,187	\$1,758,883	\$35,696
Newport	\$11,100,402	\$10,904,377	(\$196,025)
New Shoreham	\$93,128	\$91,068	(\$2,060)
North Kingstown	\$11,368,102	\$11,309,709	(\$58,393)
North Providence	\$13,397,669	\$13,321,830	(\$75,839)
North Smithfield	\$4,582,918	\$4,581,267	(\$1,651)
Pawtucket	\$70,164,393	\$70,650,211	\$485,818
Portsmouth	\$5,812,725	\$5,767,621	(\$45,104)
Providence	\$195,044,789	\$196,074,218	\$1,029,429
Richmond	\$5,829,987	\$5,708,510	(\$121,477)
Scituate	\$3,226,837	\$3,183,131	(\$43,706)
Smithfield	\$5,611,348	\$5,615,095	\$3,747
South Kingstown	\$9,943,983	\$9,838,236	(\$105,747)
Tiverton	\$5,579,539	\$5,471,230	(\$108,309)
Warwick	\$35,133,477	\$34,930,510	(\$202,967)
Westerly	\$6,301,722	\$6,317,225	\$15,503
West Warwick	\$19,275,597	\$19,040,741	(\$234,856)
Woonsocket	\$44,134,554	\$44,082,007	(\$52,547)
Bristol/Warren	\$19,183,751	\$19,005,433	(\$178,318)
Exeter/W Greenwich	\$7,235,990	\$7,154,108	(\$81,882)
Chariho District	\$509,654	\$584,638	\$74,984
Foster/Glocester	\$5,395,937	\$5,303,318	(\$92,619)
Subtotal	\$667,169,149	\$667,117,021	(\$52,128)

Education Aid to Local Units of Government

		FY 2004		FY 2005	Difference
Subtotal	\$	667,169,149	\$	667,117,021	(\$52,128)
Non-Distributed Aid					
Teacher Retirement		46,212,606		52,583,171	6,370,565
Capital Construction		40,634,116		44,737,193	4,103,077
On-Site Visits		407,935		407,935	-
Prog Support & Intervention		1,112,500		2,100,000	987,500
Professional Development		120,000		120,000	-
Textbook Expansion		325,000		325,000	-
Hasbro Children's Hospital		100,000		100,000	-
School Breakfast		647,872		700,000	52,128
School for the Deaf		5,842,046		5,539,792	(\$302,254)
Subtotal	\$	95,402,075	\$	106,613,091	\$ 11,211,016
Total	\$	762,571,224	\$	773,730,112	\$ 11,158,888

Education Aid - Full Distribution - 2004

District	2004 Base Aid	Charter School	Met School	Davies School	2004 Final Aid
Barrington	\$2,393,375	-	\$66,093	-	\$2,459,468
Burrillville	13,076,186	37,942	26,437	-	13,140,565
Central Falls	35,670,888	916,385	13,219	1,551,469	38,151,961
Charlestown	1,852,720	-	26,437	-	1,879,157
Coventry	18,881,202	-	26,437	-	18,907,639
Cranston	32,907,994	486,104	185,059	14,500	33,593,657
Cumberland	12,594,809	46,227	26,437	14,500	12,681,973
East Greenwich	1,796,345	-	-	0	1,796,345
East Providence	25,009,458	20,741	52,874	14,500	25,097,573
Foster	1,311,926	4,755	13,219	0	1,329,900
Glocester	2,995,087	-	-	0	2,995,087
Hopkinton	5,902,911	-	-	-	5,902,911
Jamestown	486,504	-	-	-	486,504
Johnson	10,137,270	9,973	52,874	-	10,200,117
Lincoln	6,955,618	6,888	26,437	652,487	7,641,430
Little Compton	325,831	-	-	-	325,831
Middletown	9,916,122	-	13,219	-	9,929,341
Narragansett	1,709,968	-	13,219	-	1,723,187
Newport	11,060,746	-	39,656	-	11,100,402
New Shoreham	93,128	-	-	-	93,128
North Kingstown	11,317,305	37,578	13,219	-	11,368,102
North Providence	12,449,559	9,472	39,656	898,982	13,397,669
North Smithfield	4,540,392	14,807	13,219	14,500	4,582,918
Pawtucket	61,074,964	1,302,675	145,404	7,641,350	70,164,393
Portsmouth	5,811,300	1,425	-	-	5,812,725
Providence	181,224,594	9,111,901	4,679,295	28,999	195,044,789
Richmond	5,829,987	-	-	-	5,829,987
Scituate	3,200,400	-	26,437	-	3,226,837
Smithfield	5,306,854	-	-	304,494	5,611,348
South Kingstown	9,766,904	163,860	13,219	-	9,943,983
Tiverton	5,553,102	-	26,437	-	5,579,539
Warwick	34,941,323	33,532	158,622	-	35,133,477
Westerly	6,284,205	4,298	13,219	-	6,301,722
West Warwick	19,275,597	-	-	-	19,275,597
Woonsocket	43,813,046	293,789	13,219	14,500	44,134,554
Bristol Warren	19,183,751	-	-	-	19,183,751
Exeter-W. Greenwi	7,216,180	19,810	-	-	7,235,990
Chariho	360,305	122,912	26,437	-	509,654
Foster-Glocester	5,395,937	-	-	-	5,395,937
TOTAL	\$637,623,793	\$12,645,075	\$5,750,000	11,150,280	\$667,169,149

Education Aid - Full Distribution - 2005

	2005 Base Aid	Charter School	Met School	Davies School	2005 Final Aid
Barrington	\$2,361,153	-	\$101,984	-	\$2,463,137
Burrillville	12,791,683	93,784	38,244	-	12,923,711
Central Falls	36,083,421	1,769,421	25,496	1,607,415	39,485,753
Charlestown	1,800,698	-	-	-	1,800,698
Coventry	18,581,020	-	38,244	-	18,619,264
Cranston	32,516,677	808,399	280,456	15,023	33,620,555
Cumberland	12,343,140	128,642	38,244	15,023	12,525,049
East Greenwich	1,781,958	-	-	-	1,781,958
East Providence	24,673,704	29,758	76,488	15,023	24,794,973
Foster	1,286,371	-	25,496	-	1,311,867
Glocester	2,935,813	-	-	-	2,935,813
Hopkinton	5,802,086	-	-	-	5,802,086
Jamestown	485,031	7,863	-	-	492,894
Johnson	10,029,699	17,814	76,488	-	10,124,001
Lincoln	6,903,831	71,303	38,244	676,016	7,689,394
Little Compton	336,498	-	-	-	336,498
Middletown	9,690,507	-	25,496	-	9,716,003
Narragansett	1,696,013	37,374	25,496	-	1,758,883
Newport	10,840,637	-	63,740	-	10,904,377
New Shoreham	91,068	-	-	-	91,068
North Kingstown	11,207,646	76,567	25,496	-	11,309,709
North Providence	12,316,405	10,285	63,740	931,400	13,321,830
North Smithfield	4,470,713	70,035	25,496	15,023	4,581,267
Pawtucket	60,664,962	1,851,637	216,716	7,916,896	70,650,211
Portsmouth	5,764,109	3,512	-	-	5,767,621
Providence	178,213,794	11,596,656	6,233,722	30,046	196,074,218
Richmond	5,708,510	-	-	-	5,708,510
Scituate	3,144,887	-	38,244	-	3,183,131
Smithfield	5,249,951	49,665	-	315,479	5,615,095
South Kingstown	9,552,741	272,747	12,748	-	9,838,236
Tiverton	5,432,986	-	38,244	-	5,471,230
Warwick	34,649,017	52,029	229,464	-	34,930,510
Westerly	6,288,379	16,098	12,748	-	6,317,225
West Warwick	19,040,741	-	-	-	19,040,741
Woonsocket	43,227,880	826,356	12,748	15,023	44,082,007
Bristol Warren	18,967,189	-	38,244	-	19,005,433
Exeter-W. Greenwich	7,114,328	39,780	-	-	7,154,108
Chariho	362,903	183,491	38,244	-	584,638
Foster-Glocester	5,298,914	4,404	-	-	5,303,318
TOTAL	\$ 629,707,068	\$ 18,017,618	\$ 7,839,970	\$ 11,552,365	\$ 667,117,021

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Appendix E

Capital Budget

Schedule 1 - Summary of Proposed G.O. Bond Issuance by Agency

<u>Agency</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Totals</u>
Administration	-	-	-	-	-	-	-
Economic Development Corporation	-	-	10,300,000	9,600,000	8,100,000	12,900,000	40,900,000
Subtotal: General Government	-	-	10,300,000	9,600,000	8,100,000	12,900,000	40,900,000
Children, Youth and Families	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-
Mental Health, Retardation & Hospitals	4,640,000	2,000,000	1,700,000	960,000	400,000	-	9,700,000
Governor's Commission on Disabilities	-	-	-	-	-	-	-
Subtotal: Human Services	4,640,000	2,000,000	1,700,000	960,000	400,000	-	9,700,000
Elementary & Secondary Education	385,000	965,000	-	-	-	-	1,350,000
Higher Education	12,750,000	8,243,275	4,026,724	1,750,000	43,300,000	39,900,000	109,969,999
Atomic Energy Commission	-	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,000,000	7,000,000	1,500,000	500,000	-	-	11,000,000
Public Telecommunications Authority	-	-	-	-	-	-	-
Subtotal: Education	15,135,000	16,208,275	5,526,724	2,250,000	43,300,000	39,900,000	122,319,999
Attorney General	500,000	-	-	-	-	-	500,000
Corrections	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Military Staff	-	-	-	-	-	-	-
State Police	500,000	18,000,000	18,000,000	5,300,000	-	-	41,800,000
State Fire Marshal	200,000	3,000,000	3,200,000	-	-	-	6,400,000
Subtotal: Public Safety	1,200,000	21,000,000	21,200,000	5,300,000	-	-	48,700,000
Environmental Management	12,705,000	9,047,000	14,230,000	17,973,000	10,625,000	10,250,000	74,830,000
Coastal Resources Management Council	-	-	-	-	-	-	-
Clean Water Finance Agency	1,200,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	10,200,000
Narragansett Bay Commission	-	-	-	-	-	-	-
Water Resources Board	3,415,000	753,000	6,200,000	6,300,000	4,000,000	2,500,000	23,168,000
Subtotal: Natural Resources	17,320,000	11,600,000	22,230,000	26,073,000	16,425,000	14,550,000	108,198,000
Transportation	40,425,000	39,900,000	32,480,000	32,540,000	30,000,000	30,000,000	205,345,000
Airport Corporation	-	-	-	-	-	-	-
RI Public Transit Authority	1,050,000	1,100,000	1,540,000	450,000	550,000	1,810,000	6,500,000
Subtotal: Transportation	41,475,000	41,000,000	34,020,000	32,990,000	30,550,000	31,810,000	211,845,000
Totals	79,770,000	91,808,275	94,976,724	77,173,000	98,775,000	99,160,000	541,662,999

Statewide Summary by Source of Funds

	<u>Pre-FY 2004</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>By Source of Funds</u>				
General Obligation - Issued Proceeds	619,472,514	67,628,052	2,891,534	250,000
General Obligation - Unissued Proceeds	-	79,770,000	91,808,275	37,806,724
General Obligation - New Referenda	-	-	-	57,170,000
Certificates of Participation	24,622,417	29,590,995	48,505,412	45,277,202
Rhode Island Capital Plan Fund	68,457,490	40,107,218	34,070,626	54,353,261
Federal Funds	24,757,421	33,603,982	43,065,616	34,813,840
Federal Highway Administration (TEA21)	813,985,266	174,019,573	142,364,929	143,282,678
Federal Transit Administration	26,505,014	29,949,700	16,884,400	26,138,600
Federal - Environmental Protection Agency	159,453,683	31,634,208	22,682,500	17,125,000
Federal Aviation Administration	14,972,868	15,863,487	17,571,977	19,592,747
Federal Railroad Administration	39,671,577	10,061,577	5,191,446	-
National Guard Bureau - Federal	417,161	398,750	593,750	833,120
Gas Tax	24,240,549	8,773,989	7,173,989	6,173,989
General Revenue	3,504,029	6,020,502	5,672,551	7,647,178
GARVEE Bonds	-	53,850,128	92,678,000	92,061,872
Insurance Proceeds	324,824	-	-	-
Interest Earnings on Bond Funds	1,569,764	50,000	50,000	50,000
Capitalized Interest	1,080,921	-	-	-
Customer Facility Charge	-	-	8,400,000	8,400,000
Internal Service Funds	387,000	264,500	150,000	200,000
Lease Financing	2,700,000	5,500,000	2,700,000	-
Local Funds	125,264	-	-	-
Motor Fuel Tax Revenue Bonds	-	9,895,032	19,837,000	21,567,968
Other Funds	711,235	5,083,209	6,668,961	10,173,407
Paratransit Revolving Fund	810,575	468,000	191,100	286,650
Passenger Facility Charge	115,240	2,881,000	6,734,640	11,496,160
Private Funding	3,543,690	5,856,535	7,126,998	20,545,000
RIAC General Revenues	1,433,028	4,110,746	4,939,658	6,659,316
Restricted Receipt Funds	9,614,028	10,750,999	5,028,510	1,744,267
Revenue Bonds	300,955,327	123,297,950	123,025,152	99,028,988
Revolved Capitalization Grants	30,683,904	6,768,059	11,279,550	10,105,273
RIHEBC Bonds	24,170,866	24,326,861	48,629,353	45,675,176
RIPTA Operating Funds	355,346	40,000	366,000	228,000
RIPTA Revolving Loan Fund	1,151,395	164,000	164,000	-
Special Facility Bonds	-	-	20,000,000	20,000,000
State Revolving Fund	-	-	-	-
Third Party Financing	12,500,000	6,200,000	4,000,000	4,000,000
TIFIA Loan	-	-	18,400,000	18,400,000
University/College Funds	1,607,996	1,659,668	871,783	-
Totals	2,213,900,392	788,588,720	819,717,710	821,086,416

Statewide Summary by Source of Funds

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Post-FY 2009</u>	<u>Totals</u>
<u>By Source of Funds</u>					
General Obligation - Issued Proceeds	250,000	-	-	-	690,492,100
General Obligation - Unissued Proceeds	15,533,000	3,325,000	1,800,000	1,800,000	231,842,999
General Obligation - New Referenda	61,640,000	95,450,000	97,360,000	34,250,000	345,870,000
Certificates of Participation	51,049,379	24,510,000	433,000	-	223,988,405
Rhode Island Capital Plan Fund	56,860,430	55,953,739	49,405,744	17,007,200	376,215,708
Federal Funds	7,986,089	2,868,566	1,975,000	-	149,070,514
Federal Highway Administration (TEA21)	138,774,292	138,774,292	138,574,292	-	1,689,775,322
Federal Transit Administration	21,358,681	4,853,682	11,461,199	-	137,151,276
Federal - Environmental Protection Agency	17,130,000	17,135,000	17,135,000	-	282,295,391
Federal Aviation Administration	18,190,600	5,714,100	10,000,000	8,300,000	110,205,779
Federal Railroad Administration	-	-	-	-	54,924,600
National Guard Bureau - Federal	11,373,120	24,300,000	-	-	37,915,901
Gas Tax	5,173,989	4,173,989	3,173,989	-	58,884,483
General Revenue	1,323,589	893,566	-	-	25,061,415
GARVEE Bonds	93,520,000	85,520,000	59,210,000	67,540,000	544,380,000
Insurance Proceeds	-	-	-	-	324,824
Interest Earnings on Bond Funds	50,000	50,000	50,000	-	1,869,764
Capitalized Interest	-	-	-	-	1,080,921
Customer Facility Charge	4,200,000	-	-	-	21,000,000
Internal Service Funds	-	-	-	-	1,001,500
Lease Financing	-	-	-	-	10,900,000
Local Funds	-	-	-	-	125,264
Motor Fuel Tax Revenue Bonds	21,270,000	17,900,000	13,300,000	12,350,000	116,120,000
Other Funds	6,748,132	422,000	300,000	-	30,106,944
Paratransit Revolving Fund	511,670	205,421	597,300	-	3,070,716
Passenger Facility Charge	8,606,900	11,257,940	27,019,060	27,019,060	95,130,000
Private Funding	-	-	-	-	37,072,223
RIAC General Revenues	4,533,250	3,504,700	6,000,000	6,000,000	37,180,698
Restricted Receipt Funds	1,149,806	675,000	700,000	-	29,662,610
Revenue Bonds	51,414,888	45,958,111	47,500,000	2,075,000	793,255,416
Revolved Capitalization Grants	3,360,503	3,360,741	3,707,548	-	69,265,578
RIHEBC Bonds	9,377,226	3,273,453	5,399,830	-	160,852,765
RIPTA Operating Funds	158,000	158,000	158,000	-	1,463,346
RIPTA Revolving Loan Fund	-	-	-	-	1,479,395
Special Facility Bonds	10,000,000	-	-	-	50,000,000
State Revolving Fund	-	-	-	-	-
Third Party Financing	4,000,000	4,000,000	4,000,000	-	38,700,000
TIFIA Loan	9,200,000	-	-	-	46,000,000
University/College Funds	-	-	-	-	4,139,447
Totals	634,743,544	554,237,300	499,259,962	176,341,260	6,507,875,304

Statewide Summary by Agency

	<u>Pre-FY 2004</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
By Agency				
Administration	33,924,343	16,262,093	13,270,000	26,162,749
Legislature	-	-	-	-
Economic Development Corporation	22,445,734	9,266	200,000	10,300,000
Public Utilities Commission	203,310	300,000	300,000	300,000
Subtotal: General Government	56,573,387	16,571,359	13,770,000	36,762,749
Children, Youth & Families	1,482,145	5,269,536	5,311,094	29,237,300
Human Services	2,740,989	4,233,398	1,876,000	1,330,723
Mental Health, Retardation & Hospitals	58,570,425	17,878,253	6,850,000	10,245,000
Governor's Commission on Disabilities	4,360,890	1,857,145	500,000	500,000
Subtotal: Human Services	67,154,449	29,238,332	14,537,094	41,313,023
Elementary & Secondary Education	27,814,754	2,465,127	1,075,408	-
Higher Education	137,859,010	81,092,657	77,699,098	64,842,085
Atomic Energy Commission	1,450,000	200,000	105,000	780,000
Historical Preservation & Heritage Commission	579,820	2,030,757	7,000,000	1,500,000
Public Telecommunications Authority	-	2,186,493	1,869,108	-
Subtotal: Education	167,703,584	87,975,034	87,748,614	67,122,085
Attorney General	-	835,000	-	250,000
Corrections	8,041,602	9,253,401	10,072,615	10,915,397
Judicial	1,597,558	19,350,437	44,423,978	10,034,902
Military Staff	995,072	1,335,314	1,350,000	2,087,896
E-911	-	-	543,816	-
Fire Marshal	-	200,000	3,000,000	3,200,000
State Police	1,035,106	750,000	18,275,000	18,350,000
Subtotal: Public Safety	11,669,338	31,724,152	77,665,409	44,838,195
Environmental Management	142,305,891	35,416,482	20,127,456	29,229,356
Coastal Resources Management Council	19,524,169	27,586,797	2,663,797	2,663,797
Clean Water Finance Agency	539,772,831	157,842,696	130,524,550	98,330,273
Narragansett Bay Commission	25,135,673	1,711,327	2,250,000	-
Water Resources Board	11,217,857	8,827,503	4,364,521	8,034,312
Subtotal: Natural Resources	737,956,421	231,384,805	159,930,324	138,257,738
Transportation	1,103,226,268	337,221,081	325,245,364	314,048,758
Airport Corporation	40,637,643	38,636,832	131,715,405	162,070,618
RI Public Transit Authority	28,979,302	15,837,125	9,105,500	16,673,250
Subtotal: Transportation	1,172,843,213	391,695,038	466,066,269	492,792,626
Totals	2,213,900,392	788,588,720	819,717,710	821,086,416

Statewide Summary by Agency

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Post-FY 2009</u>	<u>Totals</u>
By Agency					
Administration	39,578,200	34,820,000	5,523,000	-	169,540,385
Legislature	-	3,000,000	12,000,000	-	15,000,000
Economic Development Corporation	9,600,000	8,100,000	12,900,000	7,100,000	70,655,000
Public Utilities Commission	300,000	300,000	300,000	-	2,003,310
Subtotal: General Government	49,478,200	46,220,000	30,723,000	7,100,000	257,198,695
Children, Youth & Families	24,223,754	4,395,000	-	-	69,918,829
Human Services	790,000	340,000	365,000	-	11,676,110
Mental Health, Retardation & Hospitals	8,745,000	7,585,000	7,365,000	-	117,238,678
Governor's Commission on Disabilities	500,000	500,000	500,000	-	8,718,035
Subtotal: Human Services	34,258,754	12,820,000	8,230,000	-	207,551,652
Elementary & Secondary Education	-	-	-	-	31,355,289
Higher Education	21,139,532	61,376,253	56,099,830	12,400,000	512,508,465
Atomic Energy Commission	-	-	-	-	2,535,000
Historical Preservation & Heritage Commission	500,000	-	-	-	11,610,577
Public Telecommunications Authority	-	-	-	-	4,055,601
Subtotal: Education	21,639,532	61,376,253	56,099,830	12,400,000	562,064,932
Attorney General	250,000	-	-	-	1,335,000
Corrections	11,440,250	9,178,363	8,300,000	16,807,200	84,008,828
Judicial	5,388,625	100,000	100,000	200,000	81,195,500
Military Staff	12,882,500	25,465,000	-	-	44,115,782
E-911	-	-	-	-	543,816
Fire Marshal	-	-	-	-	6,400,000
State Police	7,514,000	2,000,000	3,200,000	-	51,124,106
Subtotal: Public Safety	37,475,375	36,743,363	11,600,000	17,007,200	268,723,032
Environmental Management	26,270,178	17,062,132	13,900,000	13,750,000	298,061,495
Coastal Resources Management Council	-	-	-	-	52,438,560
Clean Water Finance Agency	67,340,503	67,345,741	67,692,548	1,800,000	1,130,649,142
Narragansett Bay Commission	-	-	-	-	29,097,000
Water Resources Board	7,648,566	4,377,576	2,910,744	1,000,000	48,381,079
Subtotal: Natural Resources	101,259,247	88,785,449	84,503,292	16,550,000	1,558,627,276
Transportation	310,278,281	280,368,281	249,758,281	79,890,000	3,000,036,314
Airport Corporation	68,655,804	21,856,851	45,519,060	43,394,060	552,486,273
RI Public Transit Authority	11,698,351	6,067,103	12,826,499	-	101,187,130
Subtotal: Transportation	390,632,436	308,292,235	308,103,840	123,284,060	3,653,709,717
Totals	634,743,544	554,237,300	499,259,962	176,341,260	6,507,875,304

Proposed New Bond Referenda

November 2004		Amount
Ballot Item 1		
URI Center for Biotechnology and Life Sciences		\$50,000,000
Ballot Item 2		
Quonset Point/Davisville Industrial Park		\$48,000,000
Ballot Item 3		
Environmental Management		
Open Space		\$10,000,000
Farmland Preservation		\$10,000,000
State Recreational Facilities		\$5,000,000
Local Open Space		\$5,000,000
Local Recreation Development		\$4,000,000
Local Recreation Development - Distressed Communities		\$1,000,000
Narragansett Bay and Watershed Restoration		\$15,000,000
Groundwater Protection/Acquisition		\$10,000,000
Ballot Item 4		
Statewide Emergency Water Interconnect		\$10,000,000
Ballot Item 5		
Transportation		
Highway Improvement Program		\$60,000,000
Facilities Construction/Renovation		\$5,200,000
RIPTA - Bus Purchases/Repair		\$1,500,000
Total - November 2004		\$234,520,000
November 2006		
Ballot Item 1		
Higher Education Facilities		
RIC - Roads/Parking Lot Upgrades		\$4,200,000
CCRI - Flanagan Campus		\$9,200,000
CCRI - Knight Campus Renewal		\$9,000,000
CCRI - Sprinkler System		\$3,400,000
URI - Infrastructure Upgrades		\$23,300,000
Ballot Item 2		
Transportation		
Highway Improvement Program		\$60,000,000
RIPTA - Bus Purchases/Repair		\$2,250,000
Total - November 2006		\$111,350,000

Office of Budget

Brenda Brodeur**Technical Support Specialist II**

Network Database Management
Information Processing Liaison
Technical Support
Database Management

Paul L. Dion**Senior Budget Analyst**

Revenue Estimating, Five Year Forecast
Tax Modeling
Rhode Island Lottery Commission

Beatrice C. Frazer**Chief Budget Analyst**

Economic Impact Studies
Five Year Forecast
Employee Benefits

Rosemary Booth Gallogly**Executive Director/State Budget Officer**

State Investment Commission
State Employee Retirement Board
Depositors Economic Protection Corporation
Tobacco Securitization Financing Corporation

Bill Golas**Senior Budget Analyst**

Public Higher Education
Higher Education Assistance Authority
Office of the Child Advocate
Atomic Energy Commission
State Fire Marshal
Fire Safety Code Board of Appeal and Review
Children's Crusade for Higher Education
Health and Educational Building Corporation
Student Loan Authority

Priscilla Harris**Senior Word Processing Typist****Gaston Langlois****Senior Budget Analyst**

Department of Elementary &
Secondary Education
State Police
Public Telecommunications Authority

Office of the Governor

Office of the Lieutenant Governor

Elizabeth Leach**Budget Analyst II**

Department of Environmental Management
Department of Elderly Affairs
Deaf and Hard of Hearing
Historical Preservation & Heritage
Municipal Police Training Academy
NASBO Surveys

Lillian MacIntyre**Data Control Clerk****Susan E. McCarthy****Chief Implementation Aide**

Personnel Actions
Office Management

Dennis A. Michaud**Budget Analyst II**

Department of Corrections
Military Staff
Coastal Resources Management Council
Office of the Public Defender
Narragansett Bay Commission
Clean Water Finance Agency

Thomas A. Mullaney**Chief Budget Analyst**

Department of Administration
Economic Development Corporation
Economic Policy Council
Rhode Island Industrial Facilities Corporation
Industrial-Recreational Building Corporation
Convention Center Authority
Housing and Mortgage Finance Corporation
Refunding Bond Authority
Housing Resources Commission
Capital Budget

Kimberly Reynolds**Budget Analyst I**

Children, Youth and Families
Commission on Women
Ethics Commission

Office of Budget

Brian Riggs**Budget Analyst I**

Department of Administration
Attorney General
Legislature
Boards for Design Professionals
Water Resources Board
Water Resources Board Corporate

Brett D. Robistow**Budget Analyst II**

Business Regulation
General Treasurer
Department of Transportation
Governor's Commission on Disabilities
Rhode Island Airport Corporation
Capital Center Commission
Rhode Island Public Transit Authority
Rhode Island Turnpike and Bridge Authority

Sharon R. Savicki**Implementation Aide**

Expenditure vs. Allotment Analysis
Closing Report

Peder Schaefer**Supervising Budget Analyst**

Local Government
Information Statement

Gregory B. Stack**Senior Budget Analyst**

Department of Labor and Training
Judicial
E-911 Commission
Commission on Judicial Tenure and Discipline
Resource Recovery Corporation
Rhode Island Underground Storage Tank
Financial Responsibility Review Board
Appropriation Act

Theo Toe**Budget Analyst II**

Department of Health
Rhode Island Justice Commission
Commission on Human Rights
Public Utilities Commission
Rhode Island Developmental Disabilities Council

Michael Walton**Principal Budget Analyst**

Department of Mental Health, Retardation and
and Hospitals
Board of Elections
Mental Health Advocate
Secretary of State

George Welly**Deputy Budget Officer**

Department of Human Services
Council on the Arts
Caseload Estimating

Office of Strategic Planning**Robert K. Griffith****Chief, Office of Strategic Planning**

Monitoring and Analysis

William P. McKenna**Principal Strategic Planner**

Performance Measures