General Government

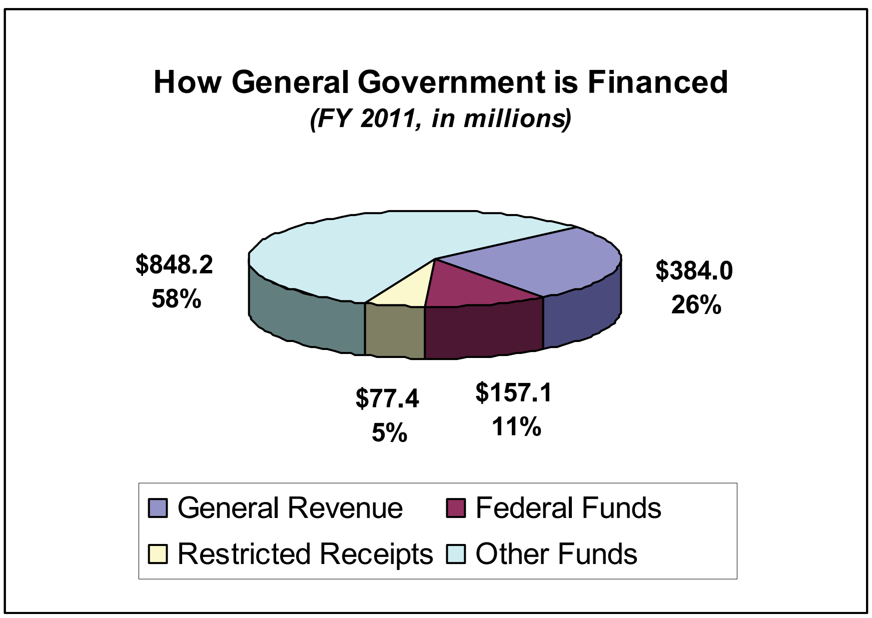
General Government

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 Revenue, the Department of Labor and Training, the Board of Elections and the Commission for Human Rights; and *regulatory agencies*, including the Department of Business Regulation and the Public Utilities Commission. The Governor recommends 2,451.1 FTE positions in the revised FY 2010 budget and 2,249.0 FTE positions in FY 2011 within general government agencies.

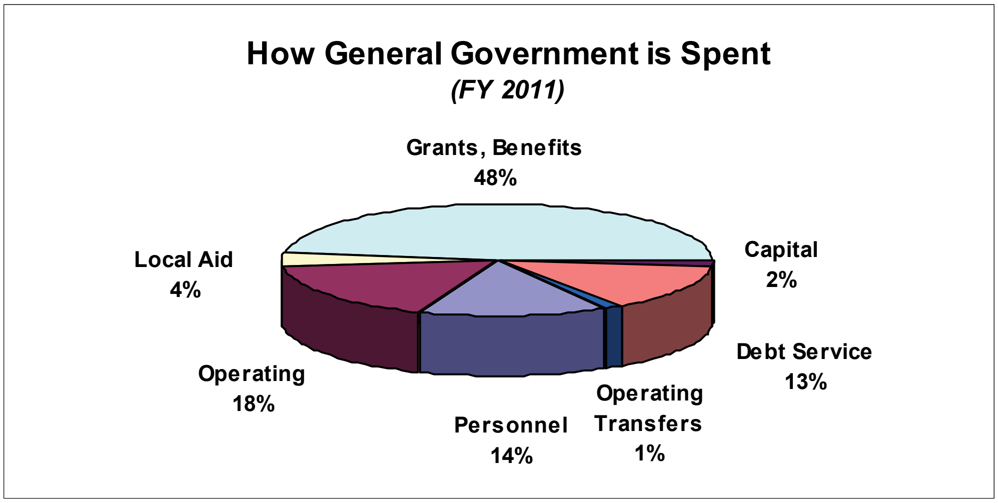
The FY 2010 revised budget for General Government agencies totals $1.941 billion, including $465.8 million in general revenue, $417.5 million in federal funds, $88.7 million in restricted receipts, and $968.8 million in other funds. The revised budget from all fund sources for General Government agencies is $64.1 million, or 3.4 percent, more than the FY 2010 enacted budget of $1.877 billion. Of the $1.941 billion recommended for FY 2010, $1,080.4 million is for grants and benefits, $260.7 million is for operating, $211.6 million is for personnel, $120.9 million is for local aid, $196.0 million is for debt service, $47.5 million is for capital, and $23.8 million is for operating transfers.

For FY 2011, the Governor recommends expenditures of $1.467 billion for General Government programs. The programs are financed with $384.0 million of general revenues, $157.1 million of federal funds, $77.4 million of restricted receipts, and $848.2 million of other funds. The FY 2011 recommendation for General Government agencies is $409.9 million, or 21.8 percent, less than the FY 2010 enacted level.



Of the $1.467 billion recommended for FY 2011, $706.0 million is for grants and benefits, $258.8 million is for operating, $206.8 million is for personnel, $51.4 million is for local aid, $195.6 million is for debt service, $28.2 million is for capital, and $20.0 million is for operating transfers. The General Government function represents 19.5 percent of the total budget for Rhode Island.

General Government



General revenue financing for General Government agencies in FY 2011 decreases by $152.2 million, or 35.9 percent, from the FY 2010 enacted appropriations. The decrease is primarily attributable to the Department of Administration, where the Governor recommends a decrease of $154.1 million. Other notable decreases include $820,315 less for the Department of Business Regulation, $519,483 less for the Department of Revenue, $233,760 less for the Governor's Office, $107,844 less for the General Treasurer, and $109,462 less for the Rhode Island Commission on Women. Notable increases from the FY 2010 enacted budget recommended in FY 2011 are $2.3 million more for the Board of Elections and $1.1 million more for the Secretary of State due to the November 2010 general elections, of which $2.0 million is recommended for the matching public funds program.

In FY 2011, federal funds recommended in General Government agencies decrease by $143.2 million, or 47.7 percent, from the FY 2010 enacted level. The change is primarily attributable to the Department of Labor and Training, where the Governor recommends a decrease of $137.5 million. The decrease is due to the expiration of enhanced and extended federal stimulus unemployment compensation. The Governor also recommends $4.0 million less for the Department of Administration, which reflects the net changes of anticipated grant funding. The FY 2011 budget also includes no funding for the federal Help America Vote Act grant which is $750,000 less than the enacted due to the expiration of the program.

Recommended FY 2011 restricted receipts decrease by $5.5 million, or 6.6 percent from the FY 2010 enacted level, which includes decreases of $7.8 million for the Department of Labor and Training and $2.1 million for the Department of Administration, which were partially offset by increases of $2.2 million for the General Treasurer and $1.5 million for the Governor's Office to manage the federal ARRA funding.

Other funds recommended in FY 2011 decrease by $109.0 million, or 11.4 percent, from the FY 2010 enacted level. This change results from a net decrease of $105.5 million for the Department of Labor and Training and $2.7 million for the Department of Administration. The decrease in the Department of Labor and Training is mostly due to the anticipated exhaustion of unemployment benefits by the unemployed currently drawing on the fund.

General Government

Department of Administration

The Governor recommends revised appropriations of $555.2 million in FY 2010 for the Department of Administration, excluding internal service funds. This includes $365.7 million in general revenue, $86.1 million in federal funds, $25.7 million in restricted receipts, and $77.8 million in other funds.

The revised FY 2010 budget is $46.6 million less than the enacted budget. This includes a decrease in general revenue appropriations of $63.9 million, an increase in federal funds of $6.0 million, an increase in restricted receipts of $6.7 million, and an increase in other funds of $4.6 million. Internal service funds within the Department of Administration decrease $2.9 million from $388.5 million to $385.6 million.

The FY 2010 enacted budget for the Department of Administration included a negative general revenue appropriation of $67.9 million, representing formula driven Undistributed Statewide Savings, of which $53.8 million was for personnel, $5.1 for contract services, and $8.9 for operating expenses. The enacted budget also included an appropriation of $5.5 million for unachieved Pension Savings. The intent of the enacted budget was to allocate the savings and pension add-back budgeted in the Department of Administration to all State agencies. The Department of Administration's share of these appropriations was a net negative of $6.8 million. Once these statewide items are distributed to other state agencies, the true FY 2010 enacted budget for the Department of Administration, less its allocated share, was $485.2 million. Compared to this budget, the Department's revised budget represents a savings of $119.5 million.

Of the $119.5 million decrease in general revenue appropriations, core departmental programs realized savings of $6.0 million from the enacted budget. The major general revenue changes within core departmental programs include:

- A net reduction of $3.1 million, excluding pay reduction days and medical benefit holiday savings, for Department-wide personnel costs. This was achieved by maintaining or eliminating vacant positions where possible;
- A net savings of $40,000 due to operational synergies from transferring the Office of Labor Relations from Human Resources to the Office of Legal Services;
- A reduction of $227,693 for contract services within the Facilities Management program, due to reduced janitorial, security, and fire protection contracts that were assumed to increase in the enacted budget;
- A reduction of $165,921 in the Facilities Management program for the transfer of security costs for the Department of Labor and Training (DLT). However, there are no statewide savings as the budget for DLT increases by an equal amount to reflect the transfer;
- A reduction of $410,470 for operational expenditures within the Facilities Management program, due reducing maintenance and operating expenses to achieve savings;
- A further reduction of $3.0 million in Facilities Management due to a moderation in utility prices;
- Additional funding of $339,356 in the Division of Information Technology (DoIT) for contract services largely due to an incorrect assumption in the enacted budget that the Department of Human Service's desktop support group would be billed to federal funds;
- A reduction of $135,553 for operational expenditures in DoIT based on current service needs;
- Additional funding in DoIT of $960,604 for RIFANS operational expenditures. The FY 2010

enacted budget eliminated the funding for all RIFANS operational and implementation expenditures. However, the State is contractually obligated to pay for its operational expenses, including licenses and maintenance;

- A reduction of $123,733 for operational expenditures in Sheriff's program based on current service needs.

The FY 2010 revised budget includes eight (8) statewide pay reduction days for unions that agreed to the initiative. Also included in the revised budget are savings for three (3) medical benefit holidays. The Department of Administration's revised budget recognizes general revenue savings of $1.6 million for the pay reductions days and $691,356 for the medical benefit holidays.

Local aid funding decreases in the revised FY 2010 budget by $66.8 million. This is largely due to the Governor's proposal to end the Motor Vehicle Excise Tax Phase-out program as of January 2010, which would result in the final two quarterly payments for FY 2010 not being paid to municipalities for savings of $66.7 million. In addition, Library Construction Aid decreases by $105,059, which brings funding in line with actual commitments for FY 2010.

The FY 2010 revised budget includes a reduction of $22.0 million for the repayment of the Rhode Island Capital Plan Fund (RICAP). In FY 2009, the State accessed the Budget Stabilization Fund in order to fund the revenue deficit projected after the May 2009 Revenue Estimating Conference. The transfer to the General Fund was $22.0 million. Once the Budget Stabilization Fund reaches 3.4% of total State resources, any additional funds are transferred to RICAP for capital projects. Thus, when any funds are withdrawn from the Budget Stabilization Fund, RICAP ends up receiving less revenue the following fiscal year. Under current law, any transfer from the Budget Stabilization Fund must be repaid to the RICAP fund in the year following the transfer. In the FY 2010 enacted budget, the General Assembly included $22.0 million to repay the RICAP fund. The Governor recommends amending current law to allow this repayment of $22.0 million to be delayed until after FY 2011.

The FY 2010 revised budget also includes a reduction of $10.0 million for the Station Fire Fund. The Government Accounting Standards Board (GASB), in accordance with Generally Accepted Accounting Principles (GAAP), provides guidance that an estimated loss from a claim should be reported as an expenditure and a liability if both of the following conditions are met: 1) it is probable that an asset has been impaired or a liability had been incurred at the date of the financial statements, and 2) the amount of the loss can be reasonable estimated. Since the two conditions were met as of June 30, 2009, the Station Fire Settlement was appropriately recorded as a liability in FY 2009, thereby increasing FY 2009 expenditures by this amount. Therefore, the $10.0 million budgeted in FY 2010 is no longer required.

Debt service adjustments account for a reduction of $8.3 million in general revenue appropriations, decreasing from $157.6 million to $149.3 million. This reduction is the result of several factors, including savings of $2.5 million for not yet issued Certificates of Participation, $2.4 million for Tax Anticipation Notes (TANS), $1.6 million for General Obligation Bonds, $1.5 for the Historic Structures Tax Credit, and $346,500 for Performance Based debt.

In the revised FY 2010 budget, the Governor recommends and includes savings for state employee pension reform. The proposed Pension Reform eliminates the automatic cost of living adjustment for state employees, teachers, judges and state police for employees who were not eligible to retire on September 30, 2009. Employees who are part of the state retirement system (state employees, teachers, judges and members of the state police) and who are eligible to retire on or before September 30, 2009, and those who become eligible and/or retire through the date of passage of this legislation shall continue to receive a cost of living adjustment as previously provided. However, as proposed, the General Assembly will have the ability to review annually and give an ad hoc cost of living adjustment to retirees who are not otherwise eligible for such an adjustment, up to a maximum amount of three percent (3%) or the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less. Also, this proposal provides that no supplemental contributions be made to the Employees Retirement System for Fiscal Years 2009, 2010, and 2011. The savings for state employees, judges, and state police are included in the recommended budget for the Department of Administration (the savings for teachers are budgeted in the Department of Elementary and Secondary Education). All funds savings included in the revised budget of the Department of Administration total $18.1 million, comprised $10.8 million in general revenues, $4.4 million in federal funds, $821,783 in restricted receipts, and $2.1 million in other funds.

The revised FY 2010 budget includes a recommend of $86.1 million in federal funds, which is an increase of $6.0 million from the enacted budget. Major changes include a net $10.4 million increase in ARRA stimulus funding and a $10.1 million increase for the federal Low Income Home Energy Assistance Program (LIHEAP), partially offset by a net reduction of $5.1 million for the Community Development Block Grant (CDBG) program and the pension savings discussed above, among other changes.

Due to passage of the American Recovery and Reinvestment Act of 2009, the Department of Administration anticipates additional federal funding of $22.2 million in FY 2010. These stimulus funds are budgeted as follows:

- $1.3 million for the Community Development Block Grant (CDBG) program;
- $1.4 million for the Homelessness Prevention Fund;
- $6.2 million in additional funds for the State Energy Plan;
- $9.9 million in additional funds for weatherization assistance programs;
- $2.1 million in additional funds for renewable energy and energy efficiency programs;
- $1.0 million for the Low Income Energy Efficiency Appliance Rebate Program, which provides rebates to eligible residential consumers who purchase energy efficient appliances.

The revised FY 2010 budget includes recommended funding of $25.7 million in restricted receipts, which is an increase of $6.7 million from the enacted budget. The increase is largely due to an increase of $6.4 million for the Regional Greenhouse Gas Initiative and $1.9 million for Demand Side Management Grants, partially offset by the pension savings discussed above, among other changes.

The revised FY 2010 budget includes recommended funding of $77.8 million in other funds, which is an increase of $4.6 million from the enacted budget of $73.2 million. The increase is largely attributable to an overall increase in Rhode Island Capital Plan Fund (RICAP) funding of $8.0 million to $28.2 million, primarily due to the reappropriation of unspent FY 2009 funds. The major changes in RICAP include a $4.9 million carry forward for the purchase and renovation of a building to relocate the DoIT operations center, $978,000 more for renovations to the Washington County Government Center to relocate some state personnel from leased space, a $700,000 carry forward for renovations to the William Powers

Building, a $691,462 carry forward for renovations to buildings on the Zambarano Campus, and a $592,500 carry forward for McCoy Stadium, which were slightly offset by a decrease of $700,000 for Utilities Upgrades at the Pastore Center, among other smaller changes. The major other funds reductions include $2.1 million for pension reform savings and $1.0 million less for the operating transfer for debt service related to the Department of Transportation.

The Governor recommends a total of 879.6 FTE positions for the Department of Administration in the FY 2010 revised budget, a decrease of 16.0 FTE positions from the enacted authorization of 895.6 FTE positions. The recommend FTE level includes 15.0 FTE positions for ARRA stimulus-related work. The change in FTE positions from the enacted budget includes a reduction of 10.0 FTE programmer positions in DoIT and 8.0 FTE ARRA positions. These reductions were slightly offset by the addition of 1.0 FTE for Energy Resources and 1.0 FTE for the State Purchasing Agent, which was filled at the time of the FY 2010 budget submission but removed by the General Assembly in the FY 2010 enacted budget.

The Governor recommends total expenditures for FY 2011 of $439.0 million for the Department of Administration, excluding internal service funds. This includes $275.5 million in general revenues, $76.2 million in federal funds, $16.8 million in restricted receipts, and $70.5 million in other funds.

On an all funds basis, the FY 2011 budget recommendation is a decrease of $162.9 million from the enacted FY 2010 budget. This represents a decrease in general revenue funding of $154.1 million, a decrease in federal funds of $4.0 million, a decrease in restricted receipts of $2.1 million, and a decrease in other funds of $2.7 million. Internal service funds within the Department of Administration increase $3.3 million from $388.5 million to $391.8 million.

In the FY 2011 budget, the Governor recommends the transfer of the Division of Sheriffs to the Department of Public Safety where the program is a better fit. The Department of Administration recognizes savings of $17.3 million from the enacted budget due to this transfer. However, statewide there is no savings as the recommend for the Department of Public Safety increases by the same amount to recognize the transfer.

Of the $138.0 million decrease in general revenue appropriations from the enacted budget, core departmental programs realized savings of $5.0 million from the enacted budget (excluding the transfer of the Sheriffs). The major general revenue changes within core departmental programs include:

- A net reduction of $1.3 million, excluding pay reduction days and medical benefit holiday savings, for Department-wide personnel costs. This will be achieved by maintaining or eliminating vacant positions, where possible;
- Of the $1.3 million personnel savings, $667,417 is attributable to the elimination of 10.0 FTE positions dedicated to Oracle programming in DoIT;
- A net savings of $100,000 due to operational synergies from transferring the Office of Labor Relations from Human Resources to the Office of Legal Services;
- A reduction of $201,171 for contract cervices within the Facilities Management program, due to reduced janitorial, security, fire protection contracts that were assumed to increase in the enacted budget, along with a reduction in lawn care and floor cleaning at the State House;
- A reduction of $340,104 in the Facilities Management program for the transfer of cleaning costs

for the Rhode Island Veteran's Home to the Department of Human Services (DHS), where control over the cleaning contracts resides. There are no statewide savings as the budget for DHS increases by an equal amount to reflect the transfer;

- A reduction of $165,921 in the Facilities Management program for the transfer of security costs for the Department of Labor and Training. However, there are no statewide savings as the budget for DLT increases by an equal amount to reflect the transfer;
- A reduction of $337,485 for operational expenditures within the Facilities Management program, due to reducing maintenance and operating accounts to achieve savings;
- A further reduction of $2.5 million in Facilities Management for the continued moderation of utility prices;
- Additional funding of $248,830 in DoIT for contract services largely due to an incorrect assumption in the enacted budget that the Department of Human Service's desktop support group would be billed to federal funds;
- Additional funding in DoIT of $976,141 for RIFANS operational expenditures. The FY 2010 enacted budget eliminated the funding for all RIFANS operational and implementation expenditures. However, the State is contractually obligated to pay for its operational expenses, including licenses and maintenance;
- A reduction of $100,000 in general revenue for grants for the Housing Resources Commission. The HRC identified additional federal grant money to offset this cost, so there is no net change to program funding.

The FY 2011 budget includes four (4) statewide pay reduction days and a six month deferral in the cost of living adjustment for unions that agreed to the initiative. Also included in the budget are savings from three (3) medical benefit holidays. The Department of Administration's FY 2011 budget recognizes general revenue savings of $1.7 million for the pay reductions days and COLA deferral, along with $679,561 for the medical benefit holidays.

Local aid funding decreases in the FY 2011 budget by $136.3 million largely comprised of the Governor's recommended elimination of the Motor Vehicle Excise Tax Phase-out program. Legislation was included in the FY 2010 Supplemental Appropriations Act to eliminate the program and the FY 2011 budget assumes that the program will be eliminated and recognizes savings of $135.3 million. Other changes to local aid are included at a net $1.0 million less than the enacted budget. The estimates are based on current law and include reductions to the Property Revaluation program ($843,500 less than enacted) and Library Construction Aid ($351,573 less than enacted), which were partially offset by an increase in the Payment-in-Lieu-of-Taxes (PILOT) program ($186,729 more than enacted).

The FY 2011 budget also includes an increase of $400,000 for the Economic Development Corporation for the Welcome Center on Interstate 95. The amount will fund the operations of the center, which had been funded in recent years from gas tax resources in the Department of Transportation. Due to projected reductions in Gas Tax receipts, DOT will not be able to maintain this funding. The Governor recommends that general revenues be appropriated to fund the operations in order to keep the center open.

FY 2011 is an election year for the Governor, Lieutenant Governor, Secretary of State, General Treasurer, and the Attorney General. As such, the Department of Administration's budget includes $100,000 in general revenue for potential transition costs associated with these offices.

General Government

Debt service adjustments account for a reduction of $14.7 million in general revenue appropriations, decreasing from $157.6 million to $142.8 million. This is largely due to debt retirement, including the Masonic Temple ($5.0 million) and Refunding Bond Authority debt ($6.1 million). In addition, the debt service on Tax Anticipation Notes (TANS) is forecasted at $2.4 million less than enacted and the Historic Structures Tax Credit is expected to increase $1.3 million to $23.8 million in FY 2011, among other changes.

As in the FY 2010 revised budget, the Governor's FY 2011 budget includes savings for state employee pension reform. As previously discussed, the proposed Pension Reform eliminates the automatic cost of living adjustments for state employees, teachers, judges and state police for employees who were not eligible to retire on September 30, 2009. All funds savings included in the FY 2011 budget total $20.5 million, comprised $12.8 million in general revenues, $4.5 million in federal funds, $1.1 million in restricted receipts, and $2.1 million in other funds.

The FY 2011 budget includes a recommend of $76.2 million in federal funds, a decrease of $4.0 million from the enacted budget. Major changes include a net $18.5 million increase in ARRA stimulus funding, more than offset by a net $9.0 million decrease for the federal Low Income Home Energy Assistance Program, a net reduction of $6.7 million for the non-ARRA funded Community Development Block Grant (CDBG), and the pension savings discussed above, among other changes.

Due to passage of the American Recovery and Reinvestment Act of 2009, the Department of Administration anticipates additional federal funding of $30.2 million in FY 2011. These stimulus funds will be budgeted as follows:

- $100,249 for the Community Development Block Grant (CDBG);
- $1.9 million for the Homelessness Prevention Fund;
- $13.0 million in additional funds for the State Energy Plan;
- $9.5 million in additional funds for weatherization assistance programs;
- $5.3 million in additional funds renewable energy and energy efficiency programs.

The FY 2011 budget includes a recommend of $16.8 million in restricted receipts, a decrease of $2.1 million from the enacted budget. The decrease is largely due to the proposed pension savings coupled with a net restricted receipts reduction in Facilities Management of $634,250, among other changes.

The FY 2011 recommended budget includes $70.5 million in other funds, a decrease of $2.7 million from the enacted budget of $73.2 million. Overall, Rhode Island Capital Plan Fund (RICAP) funding decreases from the FY 2010 enacted level by $6.2 million to $14.0 million. The major changes in RICAP include $1.3 million for the demolition of hazardous buildings at the Pastore Center and $2.5 million for renovations to a portion of the Adolph Meyer Building for use by the Department of Children, Youth and Families to house female youth. These increases were more than offset by reductions reflecting the anticipated completion of the projects for the DoIT operations center ($4.0 million less than enacted), Pastore Power Plant Upgrades ($1.0 million less), and Pastore Center Relocations ($650,000 less). The Governor also recommends no RICAP funding for the Neighborhood Opportunities Program, which is

$2.5 million less than the FY 2010 enacted amount. Other reductions to RICAP funding from the enacted budget include $675,000 less for renovations to the State House, $554,927 less for replacement of Fuel Tanks, and $500,000 less for Utility Upgrades at the Pastore Center. In addition, $2.9 million is included for pension reform savings. These major reductions were more than offset by other increases, including $2.1 million for FHWA-PL Systems Planning and $3.4 million more for the operating transfer for debt service related to the Department of Transportation.

The Governor recommends a total of 699.6 FTE positions in the FY 2011 budget, which is a decrease of 196.0 FTE positions from the FY 2010 enacted level of 895.6 and a decrease of 180.0 FTE positions from the FY 2010 revised budget. The recommendation includes 15.0 FTE positions for ARRA stimulus-related work. In addition to the changes in the revised FY 2010 budget, the FY 2011 budget includes a reduction of 180.0 FTE positions for the recommended transfer of the Division of Sheriffs to the Department of Public Safety. The FY 2011 budget also includes the addition of a Principal Janitor to supervise cleaning at the new Registry of Motor Vehicles when opened at the Forand Building in August 2010.

Department of Business Regulation

The Governor recommends a revised FY 2010 budget of $10.5 million, including $8.8 million in general revenue, no federal funds, and $1.7 million in restricted receipts. All funds decrease $826,265 from the enacted FY 2010 budget. Most of this decrease is in general revenues, which fall $805,352 from the enacted level, including personnel costs that decreased by $986,071, contract services decreased by $4,167, a $20,014 reduction in operating and capital expenses, and assistance and grants increased by $204,900. The unbudgeted expense in assistance and grants represents the settlement of a lawsuit involving a former department employee. The following statewide adjustments also affect personnel expenses: a decrease of $236,122 due to eight pay reduction days for all state employees and decreased medical insurance expenses of $96,944.

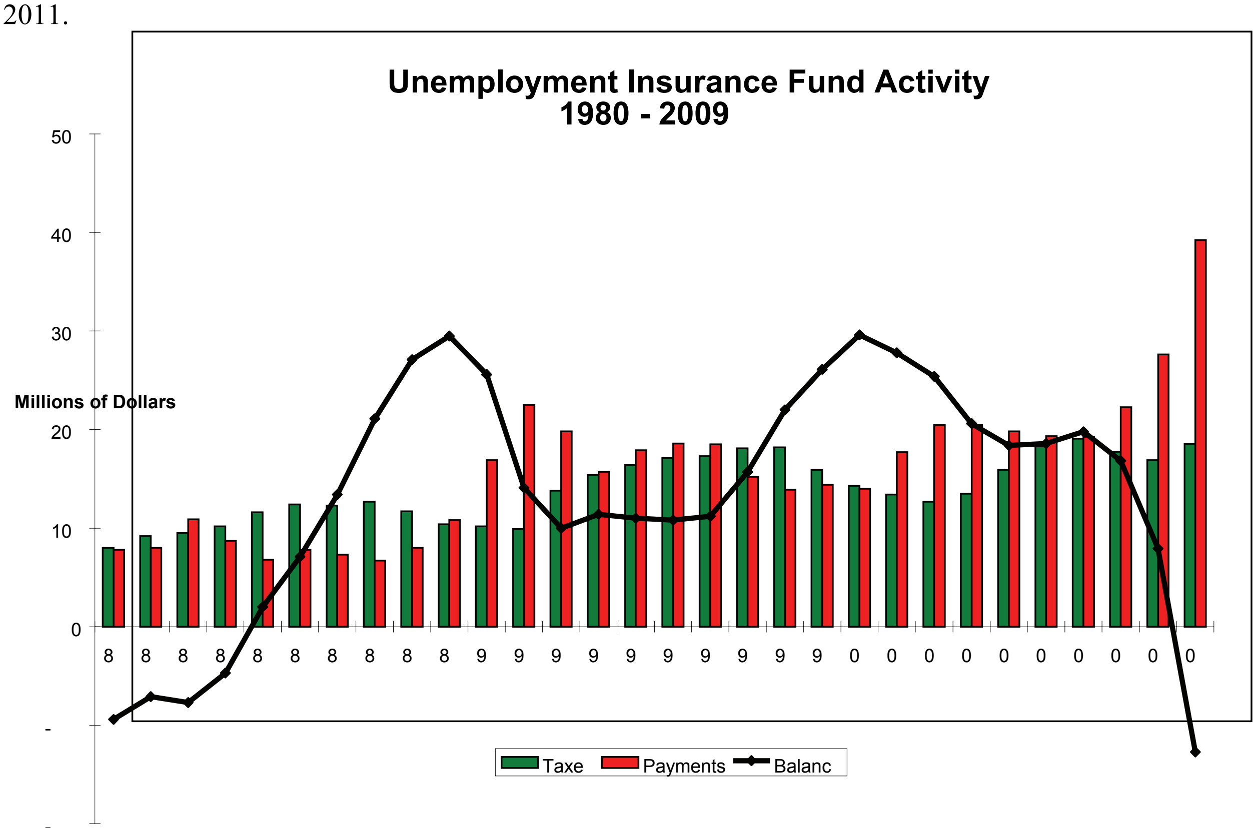
For FY 2011, the Governor recommends $11.1 million, including $8.8 million in general revenue and $2.3 million in restricted receipts. All funds decrease by $270,101, of which general revenues decrease $820,315, from the FY 2010 enacted level. Personnel costs decrease by $738,514, contract services were reduced by $23,433, and a decrease of $58,368 in operating and capital expenses. The following statewide adjustments affect personnel expenses: a decrease of $238,868 due to four pay reduction days and a 6 month deferral of the 3.0% COLA for all state employees; and decreased medical insurance expense of $89,470, offset by a statewide increase for a 3.0 percent COLA of $242,484. Restricted receipts increase $550,214 from the FY 2010 enacted level primarily due to the Governor's recommendation to fund the Office of the Health Insurance Commissioner with restricted receipts instead of general revenue. The source of these funds will be the health insurers, who will be assessed a fee to supply the necessary funding.

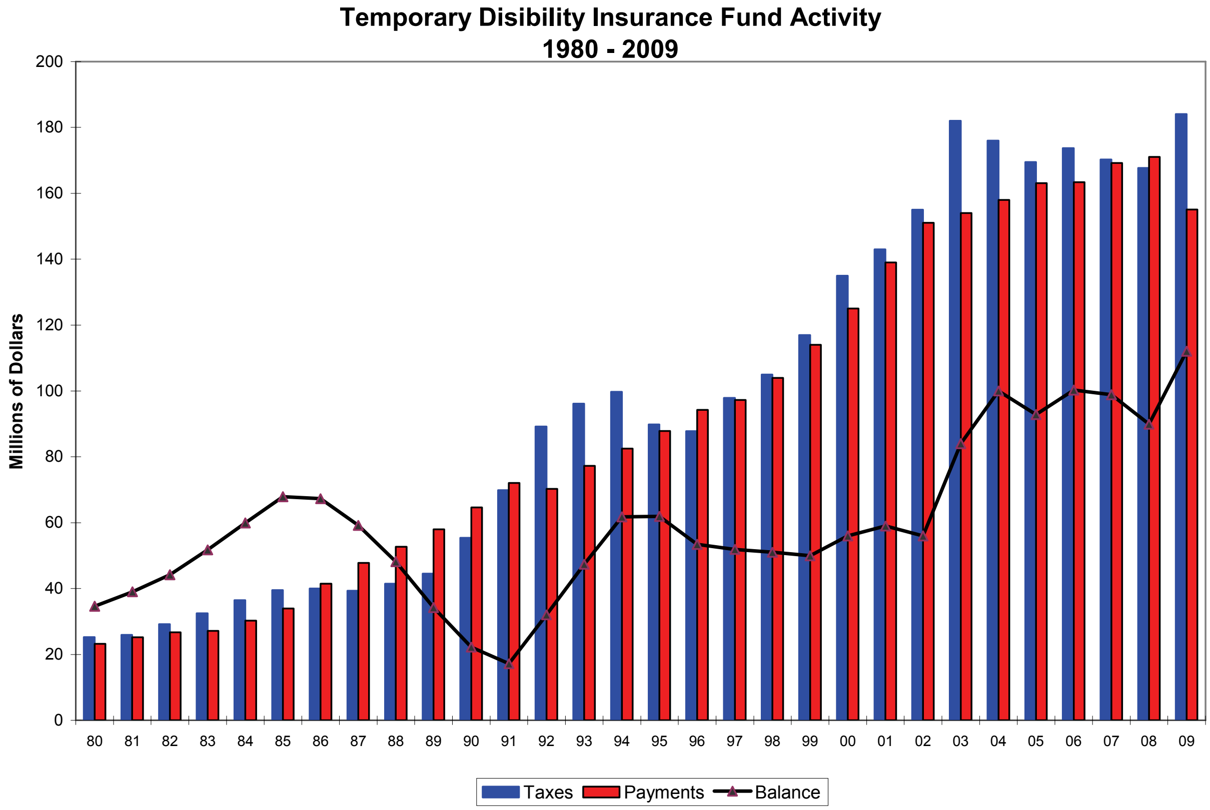
The Governor recommends a total of 91.0 FTE positions in FY 2010 and FY 2011, unchanged from the enacted level.

Department of Labor and Training

The Governor recommends revised FY 2010 expenditures of $1.04 billion for the Department of Labor and Training, including $6.5 million in general revenue, $326.5 million in federal funds, including American Recovery and Reinvestment Act of 2009 funding of $277.3 million, $22.0 million in restricted receipts, and $687.0 million in other funds. General revenues decrease a net $136,191 from the enacted budget, reflecting personnel savings and vacancies of $366,840, contract services savings of $33,362, operating savings of $53,722, assistance savings of $1,198, statewide medical health benefits less than anticipated of $32,649, and statewide negotiated personnel payroll reductions of $69,201; and increases for Police and Fire of $362,632, for capital of $15,219, and for security procurements of $42,930 transferred from central facilities management in the Department of Administration. The Governor recommends 475.1 FTE positions in FY 2010, an increase of 38.8 FTE positions from the enacted level, including 35.0 FTE Federal Stimulus positions and a net 3.8 FTE positions for senior interviewers.

The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island's Employment Security Fund is in a declining condition due to the second highest unemployment rate in the country as of the end of calendar year 2009. At that time, the Employment Security Trust Fund and the TDI Trust Fund had balances of approximately negative $127.0 million and $112.0 million, respectively. These balances represent UI decreases of $48.0 million (60.8 percent) and TDI increases of $22.0 million (24.4 percent) in 2009, respectively. Revised estimates project continued borrowing from the federal Department of Labor through December 31, 2010. Borrowing, which could result in a $232.1 million negative balance by December 31, 2010, is expected to peak at $308.1 million at the end of April, 2011.





For FY 2011, the Governor recommends $679.3 million for the Department of Labor and Training including $6.7 million in general revenue, $76.9 million in federal funds, $17.5 million in restricted receipts, and $578.2 million in other funds. This is a decrease of $250.7 million from the FY 2010 enacted budget, and includes $21,548 more general revenue, $137.5 million less federal funds, including American Recovery and Reinvestment Act of 2009 funding of $29.3 million, $7.8 million less in restricted receipts, and $105.0 million less other funds. General revenues increase a net $21,548 from the enacted budget, reflecting personnel savings and vacancies of $43,980, contract services savings of $22,016, operating savings of $45,999, assistance savings of $1,174, Police and Fire benefit savings of $211,510 with State program termination except to grandfather benefits prior to July 1, 2010, statewide medical health benefits savings of $31,132, and statewide negotiated personnel payroll reductions and COLA delays of $76,930, and increases for Police and Fire benefits' caseloads of $295,064, for capital of $1,592, for personnel payroll and benefits COLA of $114,703, and for security procurements of $42,930 transferred from central facilities management in the Department of Administration.

The decrease in other funds is for the Income Support Program for unemployment benefits ($95.9 million) and temporary disability administration and benefits ($9.2 million), and for the Central Management program for the Center General Building roof ($397,945). Estimated new continued borrowing, if drawn down as projected, as high as $156.1 million more in addition through April 2011 will occur, with a total balance owed of $232.1 million to the federal government in December 2010, compared to the balance owed in December 2009 of $126.9 million.

The Governor recommends a FY 2011 FTE authorization of 454.0 FTE positions for the Department of Labor and Training, the same as the revised FY 2010 level less 20.0 FTE positions due to 50 interviewer positions returned to part-time status, and less one retiree in the Injured Workers Program.

Department of Revenue

In the 2006 Session, the General Assembly created the new Department of Revenue, comprised primarily of programs transferred from the Department of Administration. These programs include the Office of Municipal Finance (formerly Property Valuation), the Division of Taxation, the Registry of Motor Vehicles, and the Lottery. Other programs created within this department include the Director of Revenue and the Office of Revenue Analysis.

The Governor recommends $240.8 million in expenditures for the Department of Revenue in the FY 2010 revised budget, including $33.9 million in general revenue, $2.4 million in federal funds, $739,952 of restricted receipts, and $203.8 million in other funds. This represents an all funds increase of $993,451 from the enacted FY 2010 budget. General revenue expenditures decrease $2.3 million, including $2.1 million in personnel to $26.1 million from additional turnover savings due to delays in filling positions, freezing vacant positions, and various statewide adjustments. The statewide adjustments include reductions of $671.480 for eight pay reduction days for all state employees, and additional medical health reductions of $366,703. Federal funds decrease by $202,047. Restricted receipts decrease by $105,340 as a result of indirect cost recovery funds being less than projected in the enacted budget. Other funds increase by $3.6 million, primarily due to an estimated increase in the Lottery collections, which translates into increased commission payments and other expenses at the Lottery Division.

One major change recommended in the FY 2010 revised budget is the closing of the Rhode Island Mall branch of the Registry of Motor Vehicles in March, 2010. The reason for this closure is due to the new computer system (RIMS) which will be implemented in March, 2010. The Mall branch would require extensive renovations to accommodate the new system, and since it is located only a few miles from the planned new main branch at the Forand Building, it was decided to close the branch to avoid the considerable costs involved in retrofitting the facility for the new RIMS system. No personnel savings are involved in the closure; however, because all staff will be transferred to existing branches. Work continues on a capital project to renovate the Forand Building at the Pastore Government Center in Cranston to house the main branch of the Registry. The Governor recommends funding of $11.4 million from the Rhode Island Capital Plan Fund in FY 2010 for this project.

The Governor recommends $238.0 million in expenditures from all funds for the Department of Revenue in FY 2011, including $35.7 million in general revenue, $2.3 million in federal funds, $824,191 of restricted receipts, and $199.2 million in other funds. This represents an all funds decrease of $1.8 million from the enacted FY 2010 budget. General revenue expenditures decrease $519,483, with personnel expenditures increasing by $154,020 to $28.4 million. The statewide adjustments include reductions of $717,174 for four pay reduction days and a 6 month deferred COLA for all state employees, offset by an increase of $706,545 for a statewide 3.0 percent COLA. There were additional medical health savings of $360,162. Federal funds decrease by $331,567. Restricted receipts decrease $21,101, due to indirect cost recovery funds included in the FY 2010 enacted budget not projected to be available. Other funds decrease by $926,531. This change is in part due to an estimated increase in Lottery collections, which have a corresponding impact on Lottery expenditures. Offsetting this increase is a decrease of $5.3 million in the RICAP funds for the Forand Building which will be completed in FY 2011.

General Government

Major changes recommended in the FY 2011 budget include:

- Registry of Motor Vehicles – Close the main Pawtucket branch of the Registry of Motor Vehicles as of August, 2010. The Governor also recommends $5.6 million from the Rhode Island Capital Plan Fund to continue the capital project to renovate the Forand Building at the Pastore Government Center in Cranston to house the main branch of the Registry, with an anticipated completion in early FY 2011 to accommodate the opening of the relocated Registry in Cranston in August, 2010.

The Governor recommends 428.0 FTE positions in FY 2010 and FY 2011, an increase of 4.0 FTE positions from the enacted FY 2010 level. The increase reflects the hiring of four temporary scanner positions in the Registry to input information into the new RIMS computer system to be online in March, 2010.

Legislature

The Governor's revised FY 2010 budget for the Legislature is $35.7 million, including $34.2 million in general revenue and $1.5 million in restricted receipts. The recommendation includes a reduction of $1.7 million to general revenue appropriations and a decrease of $53,681 in restricted receipts. The general revenue recommend includes a $969,732 reappropriation from FY 2009, which was requested under legislative grants as part of the revised budget submission. The general revenue savings are largely due to maintaining vacancies to achieve the enacted statewide savings, a constitutional reduction in Legislator salaries due to the negative consumer price index, and spreading planned IT upgrades over multiple years. The Governor's recommend also includes savings from statewide pay reduction days and medical benefit holidays.

For FY 2011, the Governor recommends $37.6 million, including $36.0 million in general revenue and $1.6 million in restricted receipts. The recommendation includes an increase of $164,409 to enacted general revenue and an increase of $18,296 in restricted receipts. The general revenue change is primarily a result of a $1.4 million increase in Legislator retiree health costs due to an actuarial analysis, coupled with the 3.0 percent cost of living adjustment planned for FY 2011 for state employees. These increased costs were almost offset by the Department's plan to maintain some vacancies and spreading planned IT upgrades over multiple years. The Governor's recommend also includes savings from statewide pay reduction days, a cost of living adjustment delay, and medical benefit holidays.

The Governor recommends 297.9 FTE positions in FY 2010 and FY 2011, which is no change from the enacted budget.

Office of the Lieutenant Governor

The Governor's revised FY 2010 budget for the Office of the Lieutenant Governor is $898,489 from general revenue. The recommendation is a decrease of $74,773 from the enacted budget, reflecting reductions of $69,602 to bring personnel funding in line with current requirements and a decrease of $5,171 for operating and capital expenses. Personnel costs include the following statewide adjustments: savings from eight pay reduction days for all state employees of $26,278, and a statewide decrease in medical health benefits of $10,384.

General Government

For FY 2011, the Governor recommends $975,080 from general revenue. This is $1,818 greater than the enacted budget and includes an increase of $10,112 for personnel requirements, partially offset by a reduction of $8,294 for operating and capital expenses. Personnel costs include a 3.0 percent cost of living adjustment for state employees increasing projected expenses by $25,228, decreased funding for medical health benefits of $10,081, and 4 pay reduction days and a 6 month deferred COLA decreasing expenses by $28,217.

The Governor recommends 8.0 FTE positions in revised FY 2010 and 8.0 FTE positions in FY 2011, no change from the enacted FY 2010 level.

Secretary of State

The Governor's revised FY 2010 budget for the Secretary of State is $6.1 million, including $5.2 million in general revenue, $408,400 in federal funds, and $496,925 in restricted receipts. General revenue decreases $285,535 from the enacted budget, federal funds decrease $91,600, and restricted receipts increase $22,587. The decrease in general revenue is primarily due to the savings from statewide pay reduction days and the Governor's recommended medical benefit holidays. In addition, the Department anticipates grants and benefits savings in the Elections and Civics program by bringing work related to municipalities' RINET access to the Central Voter Registration System (CVRS) in-house; thereby reducing most of the expenses in the current year and eliminating all of the expenses in FY 2011. The enacted budget included federal funds of $500,000 from the Help America Vote Act (HAVA) grant, which is split between the Board of Elections and the Office of the Secretary of State. However, due to a previous negative balance in the joint account, the actual amount anticipated to be received by the Secretary of State will be $91,600 less than the enacted budget. The Department identified contract savings to offset this shortfall of federal funds.

For FY 2011, the Governor recommends $7.2 million, including $6.7 million in general revenue and $494,567 in restricted receipts. The general revenue increase of $1.1 million from the enacted budget is due to costs associated with running the 2010 general elections. This includes ballot and referenda printing and distribution, temporary staff, and general supplies and operating expenditures. In addition, it is expected that the HAVA grant will no longer be in FY 2011, which will shift costs to general revenue. These increased costs are partially mitigated by statewide pay reduction days, a cost of living adjustment delay, and medical benefit holidays; in addition to the CVRS grants and benefits savings included in FY 2010.

The Governor recommends 57.0 FTE positions in FY 2010 and FY 2011, which is no change from the enacted authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2010 budget of $32.0 million for the Office of the General Treasurer, including $2.3 million in general revenue, $1.3 million in federal funds, $28.2 million in restricted receipts, and $214,174 in other funds. The revised budget for all funds represents an increase of $1.2 million from the enacted level. Net changes to the enacted budget consist of reductions of $200,616 in general revenue and $16,935 in federal funds, and increases of $1.4 million in restricted receipts and $11,884 in other funds. The increase in restricted receipt expenditures is associated with additional Unclaimed Property receipts being transferred to the general fund, as well as State Retirement System contracted information technology and legal services expenditures.

Of the $200,616 reduction in general revenue expenditures, $130,895 is associated with savings from agency specific adjustments, while $69,721 is associated with savings from statewide adjustments. Agency specific general revenue reductions include turnover savings of $91,710 and operating savings of $44,040. Contract services expenditures increase by $4,855 for disclosure counsel costs. The statewide adjustments consist of savings associated with medical benefits, $19,592; and savings from eight pay reduction days, $50,129.

For FY 2011, the Governor recommends total expenditures of $32.7 million, which includes $2.4 million from general revenue, $1.1 million from federal funds, $29.0 million from restricted receipts, and $222,984 from other funds. General revenue expenditures decrease by $107,844 compared to the FY 2010 enacted budget, which include the following changes: decreases of $68,857 for payroll costs and $43,842 for operating costs, and an increase of $4,855 for contract services. The decrease in payroll costs is primarily associated with statewide adjustments, including savings of $52,049 from four statewide pay reduction days and a six-month cost-of- living increase delay, and savings from reduced costs of medical benefits.

An increase in restricted receipt expenditures of $2.2 million in FY 2011 compared to the FY 2010 enacted budget includes an increase of $2.0 million in the State Retirement System and an increase of $242,858 in Unclaimed Property. The $2.0 million increase in the State Retirement System is to fund the upgrade to the member benefit computer system. The State Retirement System is currently considering hiring a software application service provider to upgrade and maintain the computer system software. The increase in Unclaimed Property expenditures is due to an increase in the general fund transfer compared to the FY 2010 enacted budget. Federal funds expenditures decrease by $181,990 in FY 2011 compared to the FY 2010 enacted budget, primarily due to a one-time $186,000 Crime Victim Assistance Program grant funded from federal stimulus monies in FY 2010, but not in FY 2011.

The Governor recommends an authorized FTE level of 83.0 positions in both FY 2010 and FY 2011.

Board of Elections

The Governor's revised FY 2010 budget for the Board of Elections is $1.4 million, including $1.2 million in general revenues and $220,581 in federal funds. The recommendation includes a reduction of $438,545 to general revenue appropriations and a decrease of $29,419 in federal funds. The decrease in general revenues is primarily due to the optical scan voting equipment service and maintenance contract for the Board's voting machines. The Board signed a new 2-year contract which is $330,904 less than the previous contract. The savings are a result of the Board forgoing previously included services that were deemed unnecessary since the Board's machines are ready for the 2010 general elections. Other notable savings include turnover on maintaining one vacancy through the fiscal year and relocating storage from a leased warehouse to state-owned property. The Governor's recommend also includes savings from statewide pay reduction days and medical benefit holidays. The enacted budget included federal funds of $250,000 from the Help America Vote Act (HAVA) grant, which is split between the Board of Elections and the Office of the Secretary of State. However, due to a previous negative balance in the joint account, the actual amount anticipated to be received by the Board of Elections will be $29,419 less than the enacted budget. The Governor recommends paying the service and maintenance contract with the HAVA grant funds.

General Government

For FY 2011, the Governor recommends $3.9 million in general revenue and no federal funds. The general revenue increase of $2.1 million from the enacted budget is due to the costs associated with running the 2010 general elections. This includes temporary staff, supplies, and general operating expenditures, as well as $2.0 million for the Matching Public Funds program available to general election candidates. These costs are partially mitigated by the service and maintenance contract savings, statewide pay reduction days, a cost of living adjustment delay, and medical benefit holidays. Federal HAVA funds are not included in the budget recommend as it is believed the federal funding will no longer be available in FY 2011.

The Governor recommends 12.0 FTE positions in FY 2010 and FY 2011, which is no change from the enacted budget.

Rhode Island Ethics Commission

The Governor recommends a revised FY 2010 budget for the Rhode Island Ethics Commission of $1.4 million composed entirely of general revenue. This is $20,898 less than the FY 2010 enacted level, reflecting reductions of $21,658 to bring personnel funding in line with current requirements, and an increase of $760 for operating and capital expenses. Personnel costs include the following statewide adjustments: savings from eight pay reduction days for all state employees, $37,443, and a statewide decrease in medical health benefits of $8,284.

For FY 2011, the Governor recommends $1.5 million composed entirely of general revenue. This is $47,963 greater than the enacted budget and includes an increase of $41,203 for personnel requirements representing a fully staffed office for the entire year, an increase of $3,000 for contract services, and an increase of $3,760 for operating and capital expenses. Personnel costs include a 3.0 percent cost of living adjustment for state employees for an increase of $33,616, decreased funding for medical health benefits of $7,579, and 4 pay reduction days and a 6 month deferred COLA decreasing expenses by $38,909.

The Governor recommends the enacted level of 12.0 FTE positions in FY 2010 and FY 2011.

Office of the Governor

The Governor's revised FY 2010 budget for the Office of the Governor is $6.0 million, including $4.7 million from general revenue and $1.3 million in restricted receipts. The recommendation includes a decrease of $376,313 to the enacted general revenue appropriation. The savings are derived from the Office maintaining vacancies, statewide pay reduction days, medical benefit holidays, and operational reductions. In addition, the recommend level-funds the Governor's Contingency Fund at $250,000.

The revised budget includes a new subprogram within the Office of the Governor entitled the Office of Economic Recovery and Reinvestment (OERR). The Office will be responsible for administering and complying with the provisions of the American Recovery and Reinvestment Act (ARRA); establishing processes for identifying, evaluating, and tracking ARRA initiatives; and will be responsible for transparency, tracking, accounting, and reporting of the funds provided by the ARRA. The OERR is authorized by federal OMB memorandum 09-18 to receive up to 0.5 percent of stimulus funding to cover oversight expenses. The enacted budget included $630,630 in federal funds to staff 4.0 positions on loan from other agencies. In accordance with guidance from the Auditor General and the State Controller, the Office of Governor changed the fund source for the OERR account from federal funds to restricted receipts. Further, as new guidance has been released from the federal government regarding ARRA funds, the scope of responsibilities required of OERR has grown. To meet these federal requirements, the revised budget includes restricted receipts in the amount of $1.3 million to fund 7.0 FTE positions, contract services, operating, capital purchases, and an operating transfer to the Economic Development Corporation for a staff person on loan. The office will exist until the ARRA program requirements end.

The Governor's revised FY 2011 budget for the Office of the Governor is $6.4 million, including $4.9 million from general revenue and $1.5 million in restricted receipts. The recommendation represents a decrease of $233,760 to enacted general revenue and includes $250,000 for the Governor's Contingency Fund. The restricted receipts will fund OERR. The recommended budget includes turnover savings for vacancies, statewide pay reduction days, a cost of living adjustment delay, and medical benefit holidays.

The Governor recommends 46.0 FTE positions in FY 2010 and FY 2011, comprised of 39.0 for the Office of the Governor and 7.0 for OERR. This represents an increase from the enacted FY 2010 budget of 3.0 FTE positions.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2010 budget of $1.3 million for the Rhode Island Commission for Human Rights, including $961,874 in general revenue and $356,615 in federal funds. This is $106,258 or 7.5 percent less than the FY 2010 enacted budget, consisting of $54,368 less general revenues and $51,890 less federal funds. The decrease in general revenue expenditures is due to employee turnover savings of $19,205 and statewide payroll cost savings for eight pay reduction days agreed to by the employees' unions equal to $22,305 and three medical benefit holidays equal to $12,858. The decrease in federal funds expenditures is due to lower than expected federal financial resources from the US Equal Employment Opportunities Commission and Department of Housing and Urban Development for case resolutions and closures, the re-imbursement rates of which have not kept pace with the costs of generating those revenues, which may necessitate more general revenues allocation in the near future.

For FY 2011, the Governor recommends total expenditures of $1.4 million, including $1.0 million in general revenue and $356,689 in federal funds. Compared to the FY 2010 enacted budget, the FY 2011 recommended expenditures are $51,181 less, consisting of $635 more general revenues and $51,816 less federal funds. The decrease in federal funds expenditures is due to lower than expected federal financial resources from the US Equal Employment Opportunities Commission and Department of Housing and Urban Development for case resolutions and closures.

The Governor recommends 14.5 FTE positions in the FY 2010 revised and FY 2011 budgets---the same level authorized in the FY 2010 appropriations act.

Public Utilities Commission

The Governor recommends revised FY 2010 total expenditures of $7.3 million for the Public Utilities Commission, comprising of $203,864 from federal funds and $7.1 million from restricted receipts. This recommendation is $90,500 less than the enacted appropriations and consists of $100,264 more federal funds and $190,764 less restricted receipts. The net increase in federal funds, from FY 2010 enacted level, is due to a competitive federal award of $107,334 from the US Department of Energy/National Energy Technology Laboratory to the Commission under the American Recovery and Reinvestment Act (ARRA) of 2009, to address various electricity initiatives, including energy efficiency, electricity-based renewable energy, energy storage, smart grid, electric and hybrid-electric vehicles, to name a few for a five year period, commencing in state fiscal year 2011. The decrease in restricted receipts, from the FY 2010 enacted level, is due primarily to payroll cost savings attributable to union concessions for eight pay reduction days, totaling $126,967 and three medical holidays for cost savings of $50,976.

For FY 2011, the Governor recommends total expenditures of $7.7 million, consisting of $296,330 from federal funds and $7.4 million from restricted receipts. This reflects an increase of $314,125 or 4.2 percent from the FY 2010 enacted budget and consists of $192,730 more federal funds and $121,395 more restricted receipts. The net increase in federal funds is due to the continuation of federal funding under a competitive federal award from the US Department of Energy/National Energy Technology Laboratory to the Commission under the American Recovery and Reinvestment Act (ARRA) of 2009. Anticipated expenditures in FY 2011 are $194,105. The net increase in restricted receipts over the FY 2010 enacted level reflects primarily current service adjustments for employee salaries and benefits, which total $71,852. This includes a cost of living adjustment of 3.0 percent, coupled with employee steps and longevity increases, as well as rate changes to retirement, retiree health and assessed fringe benefits. Recognized statewide four pay reduction days, a six month three percent cost of living adjustment (COLA) deferral to January 1, 2011 and employees' medical benefit holiday cost savings total approximately $180,000.

The Governor recommends 46.0 FTE positions in the FY 2010 revised budget or two FTE positions more than FY 2010 enacted level, the costs of which are financed via the American Recovery and Reinvestment Act of 2009. The recommended FTE positions for FY 2011 are unchanged from the FY 2010 revised level. However, it should be noted that the Governor does not recommend adding the two FTE positions required by PL 2002, Chapter 144 (2002-H-7786B), which would have increased the FTE position recommendations in both fiscal years to 48.0 FTE positions. Related restricted receipts cost savings due to the exclusion in the Governor's FY 2011 FTE positions recommendation, based on the agency's revised FY 2010 and FY 2011 requests, are $131,678 and $271,686, respectively.

Rhode Island Commission on Women

The Governor recommends a revised FY 2010 budget for the Rhode Island Commission on Women of $69,270 in general revenue. This reflects a decrease of $40,192 from the FY 2010 enacted level. Of this reduction, $2,000 is related to the commission no longer requesting financing for the Women of Year Event, which will now be funded through the Rhode Island Commission on Women Project. This recommendation provides funding for operating expenses and 1.0 FTE until February 27, 2010.

In FY 2011, the Governor does not recommend financing for the Rhode Island Commission on Women.