

State of Rhode Island and Providence Plantations

Executive Summary



Fiscal Year 2012

Lincoln D. Chafee, Governor

General Government

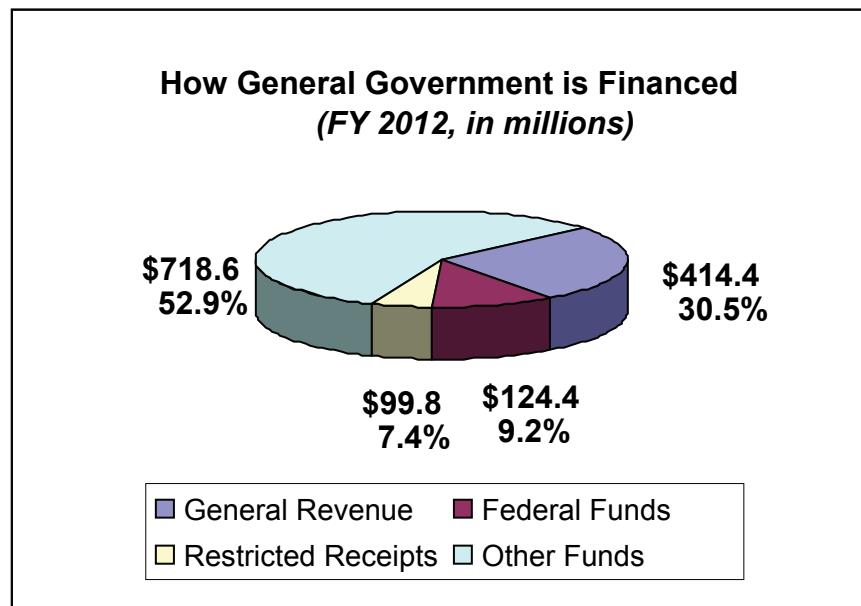
General Government

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 2,480.3 FTE positions in the revised FY 2011 budget and 2,262.3 FTE positions in FY 2012 within general government agencies.

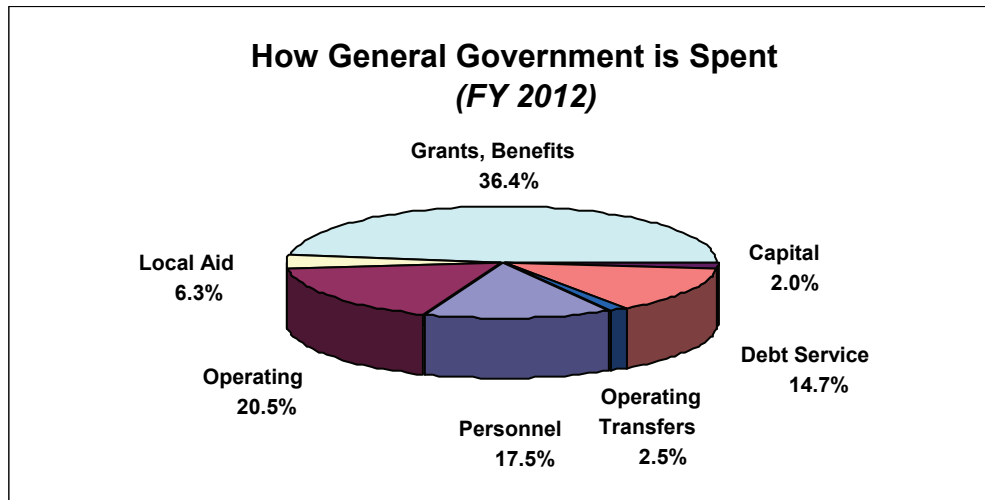
The FY 2011 revised budget for General Government agencies totals \$1.753 billion, including \$435.2 million in general revenue, \$262.0 million in federal funds, \$81.3 million in restricted receipts, and \$974.9 million in other funds. The revised budget from all fund sources for General Government agencies is \$72.1 million, or 4.3 percent, more than the FY 2011 enacted budget of \$1.681 billion. Of the \$1.753 billion recommended for FY 2011, \$907.7 million is for grants and benefits, \$277.8 million is for operating, \$241.8 million is for personnel, \$68.0 million is for local aid, \$192.5 million is for debt service, \$35.6 million is for capital, and \$30.1 million is for operating transfers.

For FY 2012, the Governor recommends expenditures of \$1.357 billion for General Government programs. The programs are financed with \$414.4 million of general revenues, \$124.4 million of federal funds, \$99.8 million of restricted receipts, and \$718.6 million of other funds. The FY 2012 recommendation for General Government agencies is \$324.2 million, or 19.3 percent, less than the FY 2011 enacted level.



Of the \$1.357 billion recommended for FY 2012, \$494.6 million is for grants and benefits, \$278.2 million is for operating, \$238.0 million is for personnel, \$85.9 million is for local aid, \$199.4 million is for debt service, \$27.7 million is for capital, and \$33.4 million is for operating transfers. The General Government function represents 17.7 percent of the total budget for Rhode Island.

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General revenue financing for General Government agencies in FY 2012 decreases by \$20.2 million, or 4.6 percent, from the FY 2011 enacted appropriations. The decrease is primarily attributable to the Department of Administration, where the Governor recommends a decrease of \$74.0 million. Other notable decreases include \$2.0 million less in the Board of Elections, \$473,963 less for the Secretary of State, \$426,083 less for the Legislature, and \$414,085 less for the Governor's Office. Notable increases from the FY 2011 enacted budget recommended in FY 2012 are \$56.2 million more for the Department of Revenue and \$540,331 more for Business Regulations.

In FY 2012, federal funds recommended in General Government agencies decrease by \$141.3 million, or 53.2 percent, from the FY 2011 enacted level. The change is primarily attributable to the Department of Labor and Training, where the Governor recommends a decrease of \$132.6 million. The decrease is due to the expiration of enhanced and extended federal stimulus unemployment compensation. The Governor also recommends \$10.5 million less for the Department of Administration, which reflects the net changes of anticipated grant funding.

Recommended FY 2011 restricted receipts increase by \$22.1 million, or 28.5 percent from the FY 2011 enacted level, which includes increases of \$20.3 million for the Department of Revenue, and \$2.8 million for the Department of Administration, which were slightly offset by decreases of \$720,870 in the Governor's Office and \$424,784 for the Department of Labor and Training.

Other funds recommended in FY 2012 decrease by \$184.9 million, or 20.5 percent, from the FY 2011 enacted level. This change is largely due to decrease of \$205.0 million for the Department of Labor and Training and \$2.5 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.

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Department of Administration

The Governor's FY 2011 revised budget for the Department of Administration is \$524.8 million, including \$325.9 million in general revenue, \$103.6 million in federal funds, \$25.7 million in restricted receipts, and \$69.5 million in other funds. This recommendation is an increase of \$25.5 million from the FY 2011 enacted budget of \$499.3 million, and reflects an increase of \$1.9 million, or 0.6 percent, in general revenue expenditures, an increase of \$24.0 million, or 30.2 percent, in federal funds expenditures, an increase of \$8.5 million, or 49.9 percent, in restricted receipts, and an decrease of \$9.0 million, or 11.4 percent, of other funds.

The enacted FY 2011 revised budget included savings for pension changes to the state employee retirement system. Pension reform was enacted by the General Assembly and projected savings totaling \$8.2 million are included the Department of Administration budget for distribution to agencies as part of the supplemental budget process. Savings are projected at \$5.7 million in general revenue, \$1.3 million in federal funds, \$487,960 in restricted receipts and \$738,091 in other funds. These savings do not include those attributable to Teachers, which are budgeted under the Department of Elementary and Secondary Education.

The \$21.2 million decrease in general revenue appropriations includes a savings 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 2011 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 2012.

The Governor's recommendation also includes a 50.0 percent increase in the \$10.4 million which was appropriated to distressed communities in the enacted budget. Under this proposal, an additional \$5.2 million will be distributed for a total of \$15.7 million in FY 2011. Currently, as a result of the indices established by Rhode Island General Laws 45-13-12, the following communities receive funds through the Distressed Communities Relief Fund: Burrillville, Central Falls, East Providence, North Providence, Pawtucket, Providence, West Warwick, and Woonsocket.

The Governor's recommendation also includes an appropriation to the City of Central Falls over two years, \$1.8 million in FY 2011 in the Department of Administration and \$4.9 million in FY 2012 in the Department of Revenue's State Aid program recommended to be moved in FY 2012. The City has been operating under the oversight of a State-appointed Receiver pursuant to An Act Relating to Cities and Towns – Providing Financial Stability, codified as Rhode Island General Laws § 45-9-1 et seq., since July 2010. In December 2010, the Receiver issued a report detailing the structural fiscal problems plaguing the City and outlining a variety of reform measures for consideration to restore the City to long-term fiscal stability. Since that time the City's FY 2010 audit has been completed, identifying an actual year-end deficit of \$2,377,596. The Receiver has identified \$623,000 in City assets which may be applied to reduce this deficit, leaving a balance of approximately \$1.8 million. In addition, the Receiver forecasts a deficit of approximately \$4.9 million for FY 2012 which must be resolved to avoid a liquidity crisis in early FY 2012. The City currently has severely limited access to financing and cannot otherwise raise the

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revenues necessary in the short term to resolve these deficits. The \$6.7 million appropriation will eliminate these deficits and resolve the City's projected liquidity problems for FY 2012

Additional general revenue savings also includes a savings of \$2.6 million for the Historic Structures Tax Credits program due to the postponement of the issuance of new debt; a reduction of \$1.4 million for department-wide personnel savings achieved by maintaining vacant positions; a reduction of \$524,177 for utilities in the Facilities Management – Centralization account; a reduction of \$210,000 for the Property Revaluation Program due to a revised estimate for the FY 2011 revaluation cycle; a reduction of \$100,000 for expenses related to the transition of elected officials that were allocated to the Governor's Office, the Office of the General Treasurer, and the Office of the Attorney General; and the statewide reductions of \$303,877 in personnel, \$515,294 in operating, and \$3,925 in legal services. These savings are slightly offset by an additional \$13.3 million for Debt Service which includes an additional \$12.6 million for the Department of Transportation's debt service; an additional \$5.7 million to restore the general revenue portion to pension changes; an additional \$904,054 for Performance Based Debt; and an additional \$510,091 for the Tax Anticipation Notes due to an update on interest earnings.

The Governor's recommendation for federal funds totals \$103.6 million in FY 2011, which is an increase of \$24.0 million from the enacted FY 2011 budget of \$79.6 million. Major changes in federal funds include an additional \$9.4 million from the American Recovery and Reinvestment Act, an additional \$2.5 million for the Community Development Block Grants, an additional \$1.1 million for the Low Income Home Energy Assistance Program (LIHEAP) grant, an additional \$834,503 for the Application Development grant, an additional \$375,163 for the DOE/Weatherization grant, and an additional \$370,831 for the Library Services Technology grant that are partially offset by a reduction of \$2.1 million for the HHS/Weatherization grant and a reduction of \$109,872 for the Nlg Museum - Collecting to Collections grant. The additional American Recovery and Reinvestment Act stimulus funds include \$6.2 million in the State Energy Plan, \$1.8 million in the Energy and Conservation Block Grant, \$1.7 million for DOE –Weatherization, and \$333,316 in Community Development Block Grant (CDBG) program that are partially offset by a reduction of \$327,976 in the Homelessness Prevention Fund, a reduction of \$130,218 in the Energy Assurance Planning grant, a reduction of \$316,490 in the Information Technology grant.

The Governor's recommendation for restricted receipts totals \$25.7 million in FY 2011, which is an increase of \$8.5 million from the enacted FY 2011 budget of \$17.1 million. This increase is primarily due to an additional \$5.2 million for the Regional Greenhouse Gas Initiative program, \$1.3 million for the Debt Service Payments, \$1.6 million for the Demand Side Management grant program, and \$487,960 for the pension reform.

The Governor's recommendation for other funds totals \$69.5 million in FY 2011, which is a decrease of \$9.0 million from the enacted FY 2011 budget of \$78.5 million. The decrease is largely due to the reduction of \$13.4 million for the operating transfer for debt service related to the Department of Transportation that is slightly offset by a reduction of \$4.2 million in Rhode Island Capital Plan Fund (RICAP). The major changes in RICAP include an additional \$956,990 for the Veterans Memorial Auditorium project, an additional \$629,927 for the replacement of Fueling Tanks project, an additional \$550,000 for the Zambarano buildings project, an additional \$550,023 for the Cannon Building project, and an additional \$527,500 for the McCoy Stadium project.

The Governor recommends a total of 873.6 FTE positions for the Department of Administration in the FY 2011 revised budget, an increase of 2.0 FTE positions from the enacted authorization of 871.6 FTE positions.

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The Governor's FY 2012 budget for the Department of Administration is \$415.0 million, including \$250.0 million in general revenue, \$69.1 million in federal funds, \$19.9 million in restricted receipts, and \$76.0 million in other funds. This recommendation is an decrease of \$84.3 million from the FY 2011 enacted budget of \$499.3 million, and reflects an decrease of \$74.0 million, or 22.8 percent, in general revenue expenditures, an decrease of \$10.5 million, or 13.2 percent, in federal funds expenditures, an increase of \$2.8 million, or 16.1 percent, in restricted receipts, and an decrease of \$2.5 million, or 3.2 percent, of other funds.

The \$74.0 million decrease in general revenue appropriations includes: a savings of \$22.0 million for the repayment delay of the Rhode Island Capital Plan Funds (RICAP); a savings of \$49.1 million due to the transfer of General State Aid to the Department of Revenue; and a savings of \$17.2 million due to the transfer of Security Services – Sheriffs to the Department of Public Safety. Additional general revenue savings also includes a savings of \$1.2 million for the Historic Structures Tax Credits program due to the postponement of the issuance of new debt and a savings of \$1.9 million in operating and supplies. These savings are slightly offset by an additional \$2.5 million for salaries and benefits and an additional \$1.3 for capital purchases.

The Governor's recommendation for federal funds totals \$69.1 million in FY 2012, which is an decrease of \$10.5 million from the enacted FY 2011 budget of \$79.6 million. Major changes in federal funds include a reduction of \$17.3 million from the American Recovery and Reinvestment Act and a reduction of \$1.3 million for the Low Income Home Energy Assistance Program (LIHEAP) grant that is partially offset by an additional \$3.6 million for the Community Development Block Grants, an additional \$1.5 million for the Application Development grant, an additional \$1.4 million for the HHS/Weatherization grant, and an additional \$1.3 million for pension reform. The reduction in American Recovery and Reinvestment Act stimulus funds include a reduction of \$8.6 million in the State Energy Plan, a reduction of \$4.5 million for DOE –Weatherization, a reduction of \$2.7 million in the Energy and Conservation Block Grant, a reduction of \$1.1 million in the Homelessness Prevention Fund, and a reduction of \$316,490 in the Information Technology grant that is slightly offset by an additional \$333,316 in Community Development Block Grant (CDBG) program.

The Governor's recommendation for restricted receipts totals \$19.9 million in FY 2012, which is an increase of \$2.8 million from the enacted FY 2011 budget of \$17.1 million. This increase is primarily due to an additional \$1.7 million for the Debt Service Payments, \$1.2 million for the Demand Side Management grant program, and \$487,960 for the pension reform that is partially offset by a reduction of \$904,386 for the Regional Greenhouse Gas Initiative program and a reduction of \$957,497 for Car Rental Tax and Surcharge.

The Governor's recommendation for other funds totals \$76.0 million in FY 2012, which is a decrease of \$2.5 million from the enacted FY 2011 budget of \$78.5 million. The decrease is largely due to the reduction of \$4.4 million in Rhode Island Capital Plan Fund (RICAP) that are slightly offset by an increase of \$1.7 million for the operating transfer for debt service related to the Department of Transportation. The major changes in RICAP include a reduction of \$3.9 million for the Information Operations Center project, a reduction of \$1.5 million for the Neighborhood Opportunities Program project, a reduction of \$1.1 million for the Veterans Auditorium project, and an increase of \$2.5 million for the RIFANS implementation project.

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The Governor recommends a total of 693.6 FTE positions for the Department of Administration in the FY 2012 budget, a decrease of 178.0 FTE positions from the enacted authorization of 871.6 FTE positions. This reduction includes the transfer of Security Services – Sheriffs 180.0 FTE positions to the Department of Public Safety.

Department of Business Regulation

The Governor recommends a revised FY 2011 Budget of \$11.4 million, including \$8.9 million in general revenue, \$758,454 in federal funds, and \$1.7 million in restricted receipts. All funds increase \$517,358 from the enacted FY 2011 Budget. Most of this increase is in federal funds for three grants in Insurance and the Office of Health Insurance Commissioner. In general revenues, which fall \$236,692 from the enacted level, personnel costs decrease by \$221,966, contract services increase by \$31,973, and statewide adjustments in personnel, contract services, and operating are a net decrease of \$46,699.

For FY 2012, the Governor recommends \$12.9 million, including \$9.7 million in general revenue, \$1.5 million in federal funds, and \$1.7 million in restricted receipts. All funds increase by \$2.0 million, of which general revenues increase \$540,331, from the FY 2011 enacted level. Personnel costs increase by \$899,466, including a 3.0 percent cost of living adjustment, and a decrease of \$26,682 is in operating expenses. Statewide adjustments affect personnel expenses: a net decrease of \$335,026 is due to decreased medical insurance expense of \$48,962 and additional turnover of \$286,064, offset by a statewide increase for benefits of \$8,301, and a net decrease of \$5,726 for operating and contract services. Restricted receipts increase \$24,064 from the FY 2011 enacted level. Federal funds increase \$1.46 million for the continuation of the three federal grants.

As part of the FY 2012 Budget, the Governor recommends that the Office of Health Insurance Commissioner be split out as a separate program within the Department of Business Regulation. This program was formerly part of the Insurance Regulation program, but due to the independent nature of the Office, elevating it to an independent program is recommended.

The Governor recommends a total of 93.0 FTE positions in FY 2011 and FY 2012, an increase of 3.0 FTE positions for the federal grants from the enacted level.

Department of Labor and Training

The Governor recommends revised FY 2011 expenditures of \$864.0 million for the Department of Labor and Training, including \$7.0 million in general revenue, \$153.4 million in federal funds, including Stimulus – Extended Unemployment Compensation funding of \$76.0 million and \$20.0 million in Stimulus – Federal Additional Compensation funds, \$18.0 million in restricted receipts, \$788,584 in Rhode Island Capital Plan Fund financing and \$685.5 million in other funds. The revised Budget reflects a total increase of \$30.4 million, including personnel reductions of \$3.6 million, reductions in contract services of \$1.3 million, reductions in operating of \$2.4 million, an increase in assistance and grants of \$23.2 million, an increase of \$1.3 million for capital purchases and an increase of \$10.5 million in operating transfers. The revised FY 2011 Budget includes general revenue savings of \$111,418, comprised of a \$62,973 increase in personnel, savings of \$62,413 in contracted professional services, savings of \$29,333 in operating expense, savings of \$101,982 in assistance and grants and an increase of \$19,337 in capital purchases. The revised FY 2011 Budget reflects an increase of \$1.1 million in contracted professional services for information technology expense. The revised Capital Budget includes \$970,891 for the purchase of computer equipment and \$857,309 for building renovations, improvements and repairs and \$788,584 for the replacement of the Center General Building roof.

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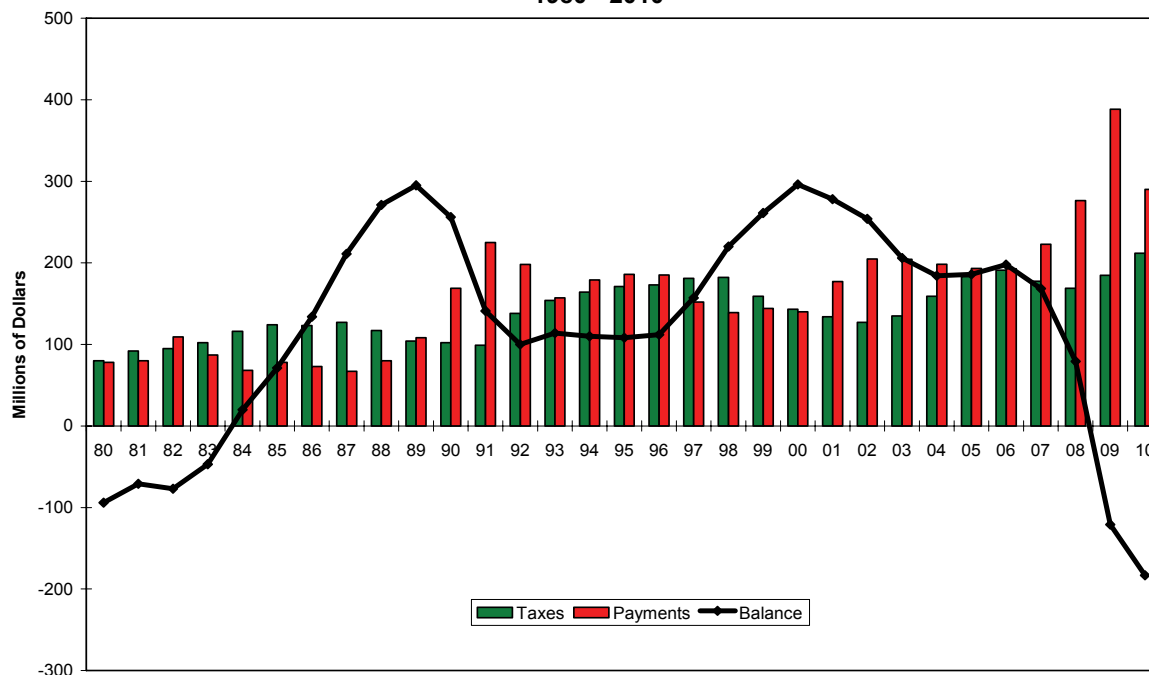
In assistance and grants, \$31.1 million has been made available for training grants from the American Recovery and Reinvestment Act of 2009 (ARRA) and includes carryover from 2010. ARRA funds are utilized for training grants and were also used to reopen the Wakefield netWORKri center in October of 2010, increasing access to employment and training services.

In January of 2011, \$1.9 million of Unemployment Compensation Modernization Incentive Payments were made available under Section 903(f) of the Federal Social Security Act. The additional financing was enacted for administration of the state's unemployment compensation law from January 1, 2011 through June 30, 2011. The Department of Labor and Training is using these funds to compensate 42.0 short term FTE's through the end of the fiscal year.

The Governor recommends 519.4 FTE positions in FY 2011, the same level as the enacted Budget.

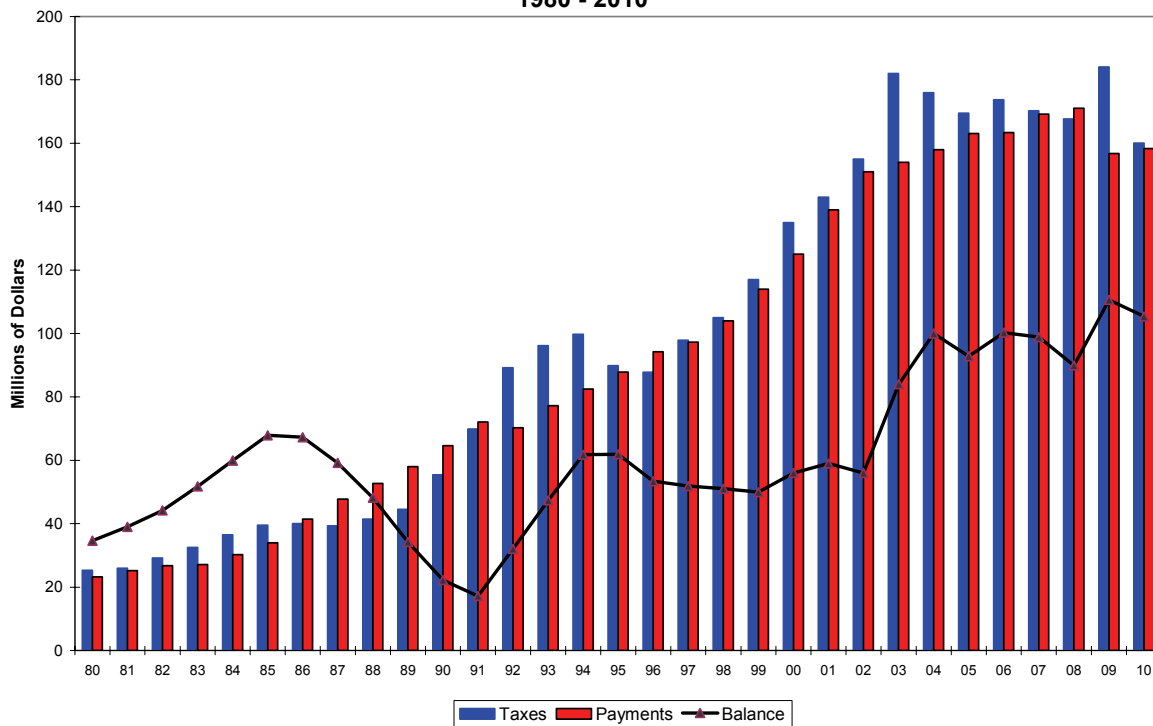
The recent fund balance trends for both the Employment Security Trust Fund and the Temporary Disability Insurance (TDI) Trust Fund are shown in the graphs below. It should be noted that Rhode Island's Employment Security Fund is in a declining condition due to the state's high unemployment rate. As of the end of calendar year 2010, the Employment Security Trust Fund and the TDI Trust Fund had negative balances of \$183.0 million and \$105.0 million, respectively. These balances represent Unemployment Insurance decreases of \$62.0 million (51.2 percent) and TDI decreases of \$6.0 million (5.4 percent) in 2010, respectively. Revised estimates indicate continued borrowing from the federal Department of Labor through December 31, 2011.

**Unemployment Insurance Fund Activity
1980 - 2010**



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**Temporary Disability Insurance Fund Activity
1980 - 2010**



For FY 2012, the Governor recommends \$495.7 million for the Department of Labor and Training, including \$7.3 million in general revenue, \$49.3 million in federal funds, \$17.1 million in restricted receipts, \$208,500 in RICAP financing and \$421.8 million in other funds. This is a decrease of \$337.9 million from the FY 2011 enacted Budget, and includes \$145,923 more general revenue, \$132.6 million less federal funds, including reductions in Stimulus – Extended Unemployment Compensation funding of \$98.0 million and Stimulus – Federal Additional Compensation funding of \$30.0 million, \$424,784 million less restricted receipts, \$536,556 less capital expense funds and \$205.0 million less other funds.

The FY 2012 Budget reflects a personnel savings of \$4.1 million, increases in contract services of \$81,725, operating savings of \$2.3 million, assistance and grants savings of \$345.3 million, capital expense savings of \$632,249 and an increase of \$14.4 million for operating transfers. Personnel savings include a reduction of \$156,259 due to medical and retiree health rate changes and removal of 3.0 percent in additional statewide turnover. FY 2012 personnel expense reflects the absence of the 42.0 short terms FTE's, which were funded through the end of FY 2011, accounting for a large portion of the \$4.1 million decrease. In the consulting expense category, \$1.4 million will be utilized for information technology and \$1.5 million will be utilized for medical services. The increase in operating transfers includes \$10.0 million in additional financing, which will be utilized to pay interest on federal funds that have been borrowed to finance the state's Unemployment Insurance obligations. In capital expense, \$208,500 in RICAP funds have been allocated for asset protection and \$454,946 has been allocated for the purchase of computer equipment.

The Governor recommends a FY 2012 FTE authorization of 519.4 FTE positions for the Department of Labor and Training, the same as the revised FY 2011 level.

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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 \$260.1 million in expenditures for the Department of Revenue in the FY 2011 revised budget, including \$36.1 million in general revenue, \$2.4 million in federal funds, \$2.0 million of restricted receipts, and \$219.6 million in other funds. This represents an all funds increase of \$23.8 million from the enacted FY 2011 budget. General revenue expenditures increase \$651,565, primarily due to the expenditures related to Central Fall Receivership totaling \$941,583, which were not included in the enacted budget. Personnel decreased \$212,667 to \$28.0 million, including a statewide adjustment for additional turnover of \$132,411. Personnel in FY 2011 included four pay reduction days for all state employees, a deferred COLA, and additional medical health reductions. Federal funds increase by \$202,047. Restricted receipts increase by \$1.1 million as a result of expenses of the RIMS computer project at the Division of Motor Vehicles paid with the technology charge at the DMV that were greater than originally enacted. Other funds increase by \$21.9 million, primarily due to an estimated increase in the Lottery collections, which translates into increased commission payments combined with new marketing expenses financed by the State at Twin River and Newport Grand. Offsetting the increase in other funds was a decrease in RICAP projects totaling \$922,743, a combination of reductions in the Forand Building project as the new main branch of the DMV opened in August 2010 and a small decrease in the Tax Data Warehouse project due to the expected timing of expenditures.

The Governor recommends \$335.9 million in expenditures from all funds for the Department of Revenue in FY 2012, including \$91.7 million in general revenue, \$2.6 million in federal funds, \$21.2 million of restricted receipts, and \$220.3 million in other funds. This represents an all funds increase of \$26.1 million from the enacted FY 2011 budget. The primary cause of the increase in all funds, general revenues, and restricted receipts in FY 2012 is the transfer of the State Aid accounts to the Department of Revenue from the Department of Administration.

General revenue expenditures increase \$54.3 million, with personnel expenditures decreasing by \$389,426 to \$29.7 million, including statewide adjustments. The statewide adjustments include reductions of \$21,024 for unachieved personnel savings, offset by a decrease of \$185,398 for an adjustment to health benefits, an increase of \$21,761 for retiree health benefits, offset by a decrease of \$918,889 for additional turnover. There were additional statewide savings for legal contract services totaling a decrease of \$83,774, and an operating reduction of \$64,321. Federal funds increase by \$346,289. Restricted receipts increase \$20.4 million, due to the transfer of the State Aid accounts including the MAST Fund restricted receipt account totaling \$19.3 million. This is a new program not included in the enacted budget. Other funds increase by \$22.3 million. This change is in part due to an estimated increase in Lottery collections, which have a corresponding impact on Lottery expenditures. The new marketing program financed by the State for Twin River and Newport Grand impacts the increase expenditures. Offsetting this increase is a decrease of \$2.8 million in the RICAP funds for the Forand Building which was completed in FY 2011.

Governor Chafee's proposed FY 2012 budget includes an appropriation to the City of Central Falls over two years, \$1.8 million in FY 2011 (budgeted in the Department of Administration) and \$4.9 million in

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FY 2012. The City has been operating under the oversight of a State-appointed Receiver pursuant to An Act Relating to Cities and Towns – Providing Financial Stability, codified as Rhode Island General Laws § 45-9-1 et seq., since July 2010. In December 2010, the Receiver issued a report detailing the structural fiscal problems plaguing the City and outlining a variety of reform measures for consideration to restore the City to long-term fiscal stability. Since that time the City's FY 2010 audit has been completed, identifying an actual year-end deficit of \$2.4 Million. The Receiver has identified \$623,000 in City assets which may be applied to reduce this deficit, leaving a balance of approximately \$1.8 million. In addition, the Receiver forecasts a deficit of approximately \$4.9 million for FY 2012 which must be resolved to avoid a liquidity crisis in early FY 2012. The City currently has severely limited access to financing and cannot otherwise raise the revenues necessary in the short term to resolve these deficits. The \$6.7 million appropriation will eliminate these deficits and resolve the City's projected liquidity problems for FY 2012.

The Governor recommends 428.5 FTE positions in FY 2011 and FY 2012, an increase of 2.5 FTE positions from the enacted FY 2011 level. The increase reflects the assignment of two positions to Central Fall's Receivership, and 0.5 to increase a 0.5 Customer Service Representative positions at the DMV to a 1.0 FTE position.

Legislature

The Governor's revised FY 2011 Budget for the Legislature is \$38.5 million, including \$37.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation includes a reduction of \$504,045 to general revenue appropriations and an increase of \$306 in restricted receipts from the FY 2011 enacted level. The general revenue recommendation does not include the reappropriation of \$3.4 million from FY 2010 to reflect the Legislature's budget request. Also reflecting the Legislature's budget request, the Governor's recommendation includes \$300,000 for the redistricting exercise based on the results of the 2010 Census, or \$1.2 million less than the FY 2011 enacted level, with a portion of the balance recommended for FY 2012. Other changes include addition of \$100,000 for the House Sound System Project and addition of \$600,000 in grants in the Joint Committee on Legislative Affairs account. Personnel financing totals \$31.9 million, or \$105,055 less than the FY 2011 enacted level. The personnel change is comprised of decrease of \$48,171 from legislators' salaries based on the calendar year 2009 Consumer Price Index of negative 0.05%, removal of \$52,533 from the actuarial based retiree health computation for the legislators, and removal of \$212,948 in general revenue from the Auditor General personnel budget based on current staffing levels and availability of financing from the 0.05% audit fee available to the program for personnel offsets. These reductions are offset by increase of \$78,313 in the House Fiscal Office, \$21,722 in Legislative Council, and \$200,041 more in the Joint Committee on Legislative Affairs to finance existing staff and associated benefits. The Governor's recommendation also removes an additional \$144,864 in personnel financing, or 0.5 percent as a statewide reduction. Operating expense is also reduced by 0.5 percent in FY 2011, or by \$11,864, reflecting the statewide operating expense reduction.

For FY 2012, the Governor recommends \$38.7 million, including \$37.0 million in general revenue and \$1.6 million in restricted receipts. The recommendation is a decrease of \$426,083 from enacted general revenue and an increase of \$74,191 in restricted receipts. The general revenue change is comprised of restoration of \$700,000 for the redistricting project, as the project is expected to span two fiscal years. Department-wide personnel growth is \$1.0 million, to accommodate step and longevity increases, the 3.0 percent cost of living adjustment and associated benefit adjustments. The salaries of legislators also increase by 3.0 percent though the calendar year 2010 Consumer Price Index will likely adjust these

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salaries in the supplemental process. The retiree health calculation for legislators declines by 49.14 percent or \$866,620, from 95.49 percent of salaries to 46.35 percent of salaries due to actuarial recalculation based on the current retiree pool. The Governor's recommendation also removes \$631,559 in general revenue personnel and \$22,346 in operating expense as part of a statewide expense reduction.

The Governor recommends 298.5 FTE positions in FY 2011 and FY 2012, or 2.6 FTE greater than the enacted Budget authorization.

Office of the Lieutenant Governor

The Governor's revised FY 2011 budget for the Office of the Lieutenant Governor is \$889,100, financed by general revenue. This is \$35,379 less than the enacted Budget and includes a \$45,975 decrease in personnel financing to correspond to current requirements, a \$500 increase in contracted professional services, a \$9,096 increase in operating expense and a \$1,000 increase in capital expense. In the consultant category, an increase of \$500 will provide sign language translation services for the Executive Director of the Commission for the Deaf and Hard of Hearing as a member of the Rhode Island Emergency Management Advisory (RIEMA) committee. In the operating category, \$1,000 is provided for printed materials related to the promotion and administration of the Lt. Governors Buy Local RI initiative.

For FY 2012, the Governor recommends \$997,002 from general revenue. This is \$72,523 greater than the enacted Budget and includes increases of \$67,027 for personnel requirements, \$500 for contracted professional services, and \$6,746 for operating expense. These increases are partially offset by a reduction of \$1,750 for capital expense. Personnel costs include the following statewide adjustments: a \$752 increase in retiree health due to statewide rate changes and a statewide change in medical health benefits resulting in a decrease of \$4,359.

The Governor recommends 7.0 FTE positions in revised FY 2011 and 7.0 FTE positions in FY 2012, a reduction of 1.0 FTE from the enacted FY 2011 level.

Secretary of State

The Governor's revised FY 2011 Budget for the Secretary of State is \$8.2 million, including \$6.8 million in general revenue, \$127,092 in federal funds, \$459,436 in restricted receipts and \$822,941 in Record Center Funds. General revenue decreases by \$154,490 from the enacted budget, federal funds increase by \$27,092, restricted receipts decrease by \$35,131 and Record Center Funds increase by \$2,427. The decrease in general revenue is primarily due a \$103,945 reduction in personnel to correspond to current requirements. In federal funds, the recommendation includes an additional \$50,000 in capital expense financed by Help America Vote Act (HAVA) grants, contributing to the purchase of new servers for the Central Voter Registration System (CVRS). This increase is offset by a \$100,000 reduction in HAVA federal funds that were included in the enacted Budget for compliance with the federal Military and Overseas Voter Empowerment (MOVE) Act. The necessary steps for compliance were accomplished internally, resulting in a \$100,000 reduction from the enacted Budget. The Governor's revised Budget also includes an additional \$24,249 in HAVA federal funds in the Elections and Civics program's consultant and operating categories to finance mock elections to be held at various high schools. Record Center Funds, which total \$822,941, provide a centralized location for state records and archives financed by centralized billings of all the departments that utilize the service.

For FY 2012, the Governor recommends \$7.8 million, including \$6.4 million in general revenue,

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\$496,548 in restricted receipts, and \$866,270 in Record Center Funds. This recommendation reflects a \$473,963 reduction in general revenue, a \$1,981 increase in restricted receipts, and a \$40,902 increase in Record Center Funds. General revenue savings of \$571,574 from the enacted Budget are due to reduced operating expense for the Elections and Civics program, including \$515,000 reduction in outside printing expense and a \$60,000 reduction in postage and postal services expense due to FY 2012 not being a general election year. General revenue savings of \$250,000 are attributable to reduced IT system support in the Corporations program. The FY 2012 reduction also reflects \$100,000 less in HAVA federal funds obtained by achieving compliance with the MOVE Act internally. The FY 2012 Budget also reflects reductions of \$15,050 in outside printing expense which was utilized in FY 2011 for printing of the Government Owner's Manuals required per RIGL 22-3-12 which is not required for FY2012. Other decreases include a reduction of \$20,186 due to changes in medical and retiree health rates. These cost savings are mitigated by the expectation that the HAVA grant will no longer be available in FY 2012, which shifted costs to general revenue. A \$383,667 increase in personnel expense partially offsets general revenue cost savings.

The Governor recommends 57.0 FTE positions in FY 2011 and FY 2012, which is no change from the enacted authorization.

Office of the General Treasurer

The Governor recommends a revised FY 2011 Budget of \$27.4 million for the Office of the General Treasurer, including \$2.3 million in general revenue, \$1.1 million in federal funds, \$23.8 million in restricted receipts, and \$227,153 in other funds. The revised Budget for all funds represents a decrease of \$5.7 million from the enacted level. Net changes to the enacted Budget consist of decrease of \$17,035 in general revenue, increase of \$7,428 in federal funds, and increase of \$8,238 in other funds. Restricted Receipts decrease by \$5.7 million, attributable to removal of \$4.5 million from the Employees' Retirement System of Rhode Island to correspond with financing requirements for a new membership system database in addition to removal of \$282,632 for constrained personnel and \$320,505 from consultant estimates. The Unclaimed Property transfer to the general fund surplus is reduced by \$682,247 to a total of \$5.3 million and claim payouts are reduced by \$83,091 to \$8.6 million, reflecting revenue and expenditure trend projections for the program.

The general revenue recommendation for FY 2011 includes removal of \$96,974 in turnover in the General Treasury, offset by addition of \$36,831 for transition expense associated with the November 2010 election and \$49,260 for lease and preliminary moving expense required by delay of the Office's move to 50 Service Avenue in Warwick. The general revenue personnel level also includes additional statewide turnover of one percent. Department-wide and across all funds, personnel financing decreases by \$399,405 from the enacted level, reflecting reduced requirements for part-year employees of the newly elected Treasurer and constrained hiring in all divisions.

For FY 2012, the Governor recommends total expenditures of \$32.7 million, which includes \$2.2 million from general revenue, \$1.1 million from federal funds, \$29.1 million from restricted receipts, and \$217,021 from other funds. Across all funds and department-wide, personnel financing totals \$8.3 million, or \$605,105 more than the FY 2011 enacted level. The increase is attributable to the 3.0 percent cost of living adjustment effective July 1, 2011, in addition to increased retirement contribution rates, increase to the health insurance premium, and increase to retiree health and medical rates. Reductions to personnel includes additional statewide turnover in the amount of two percent. Operating expense decreases by \$631,885 department-wide, mostly attributable to reduction of \$335,875 for the unclaimed

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property transfer based on revenue and expenditure trend projections for the program, offset by addition of \$144,178 for lease expense to accommodate delay in move of the office to its 50 Service Avenue location. A statewide reduction of 1.0 percent in operating expense totals \$3,425 for the Treasury in FY 2012.

In the Employees' Retirement System program, \$4.5 million is provided in the capital expense category, same as the FY 2011 enacted amount, for implementation of the new membership computer system. Consultant expense in the program is reduced by \$334,905 to a total of \$2.0 million, reflecting estimated legal services requirements for the administration and investment sections.

The Governor recommends an authorized FTE level of 82.0 positions in both FY 2011 and FY 2012.

Board of Elections

The Governor's revised FY 2011 Budget for the Board of Elections is \$3.2 million in general revenue. The recommendation is \$738,139 less than the enacted Budget. In the personnel category, there is a decrease of \$132,611 to correspond to current requirements. A \$300,000 reduction in assistance and grants expenses for public finance of elections is due to lower than anticipated candidate requests from the Matching Public Funds Program. A \$105,000 decrease in the consulting category is achieved by performing the audit of the Matching Public Funds Program for general office candidates in-house rather than hiring an external vendor. A decrease of \$3,000 in the consulting category is for environmental services not required since communities did not file for removal of asbestos cabinets in FY 2011. Notable savings in the operating category include \$76,000 from printing by outside vendors due to reduced need and reduction of \$11,000 in office supplies and equipment expense by bulk purchasing and reductions in purchasing. An additional \$12,000 is included in the FY 2011 revised Budget for additional supplies for the packaging of materials for the November 2010 election. Personnel is reduced by \$132,611 to correspond to current requirements.

For FY 2012, the Governor recommends \$1.9 million in general revenue, a \$2.0 million dollar reduction from the FY 2011 enacted Budget. Of the reduction, \$2.4 million is due to the costs associated with running the 2010 general elections. This reduction 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. The Board of Elections will achieve additional consultant savings by extending the service contract with Electronic Systems & Software for the AutoMark voting machines for \$350,000, rather than replacing the machines for \$1.2 million. The recommendation also includes \$81,000 for outside printing expense related to printing campaign finance, voter registration and election-related forms, manuals, and posters for the 2012 Presidential Preference Primary. These materials must be produced in both English and Spanish. A \$70,927 increase from the FY 2011 enacted Budget is required for personnel financing. Part of the increase in personnel financing is attributable to the Chief Auditor position which the Governor recommends to fill in FY 2012.

The Governor recommends 11.0 FTE positions in FY 2011 and 12.0 FTE positions in FY 2012, allowing the Chief Auditor position to be filled.

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Rhode Island Ethics Commission

The Governor recommends a revised FY 2011 Budget for the Rhode Island Ethics Commission of \$1.5 million, composed entirely of general revenue. This is \$27,790 less than the FY 2011 enacted level. The revised Budget reflects reductions of \$19,448 to bring personnel funding in line with current requirements. Operating expenses are reduced by \$9,667, attributable to reductions of \$1,800 for printing by outside vendors, \$1,500 for office supplies and equipment, and \$4,167 for other operating expenses. An increase of \$1,325 in the capital category will be utilized for the replacement of the main printer and aging staff computers.

For FY 2012, the Governor recommends \$1.6 million composed entirely of general revenue. This is \$77,349 greater than the enacted Budget and includes an increase of \$91,415 for personnel requirements representing a fully staffed office for the entire year, a reduction of \$13,891 for operating expense, and a decrease of \$175 for capital expenses. Changes in retiree health and medical insurance rates result in an increase of \$1,382 in the personnel category.

The Governor recommends the enacted level of 12.0 FTE positions in FY 2011 and FY 2012.

Office of the Governor

The Governor's revised FY 2011 Budget for the Office of the Governor is \$5.3 million, including \$4.4 million in general revenues, \$132,605 in federal funds and \$719,684 in restricted receipts. The recommendation is an all funds decrease of \$983,958, including \$337,701 less in general revenues, \$132,605 more in federal funds, and \$778,862 less in restricted receipts. The general revenue decrease is derived by adjusting staff expenses to conform to the new gubernatorial staff, whose members start at the lowest step of their paygrade without longevity, in addition to operational savings. The reductions are offset by addition of \$126,230 for transition expense for the newly elected Governor. The general revenue recommendation also includes \$250,000 for the Governor's Contingency Fund. The federal fund increase represents financing from the State Energy Office in the Department of Administration that supports staff in the Governor's office for associated work. The restricted receipt decrease reflects reduced staff levels in the Office of Economic Recovery and Reinvestment (OERR) which completed most of its work associated with administering and complying with the provisions of the American Recovery and Reinvestment Act (ARRA) in FY 2010, though ARRA funds continue to be appropriated in FY 2011 and FY 2012, thus requiring the continuance of the office. The restricted receipts are made available by a federal Office of Management and Budget memorandum 09-18 that allows up to 0.5 percent of stimulus funding to cover oversight expenses. Also in FY 2011 and reflected in the general revenue financing level, is removal of \$11,056 in personnel, and \$1,564 in operating expense, as part of the statewide reduction exercise.

The Governor's revised FY 2012 Budget for the Office of the Governor is \$5.2 million, including \$4.3 million from general revenue, \$139,898 from federal funds and \$777,676 in restricted receipts. The recommendation represents a decrease of \$414,085 to enacted general revenue and includes \$250,000 for the Governor's Contingency Fund. The federal recommendation again reflects energy related staff work financed by the State Energy Office. The restricted receipts will fund OERR. The recommended budget includes turnover savings for vacancies, and statewide benefit adjustments for the medical waiver, health insurance and retiree health. In addition, the financing level accommodates removal of \$117,339 in personnel and \$2,863 in operating expense as part of the statewide reduction exercise in FY 2012.

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The Governor recommends 45.0 FTE positions in FY 2011 and FY 2012, comprised of 39.0 for the Office of the Governor and 6.0 for OERR, same as the enacted levels for both offices.

Rhode Island Commission for Human Rights

The Governor recommends a revised FY 2011 budget of \$1.4 million for the Rhode Island Commission for Human Rights, including \$1.2 million in general revenue and \$164,367 in federal funds. This is \$15,247 or 1.1 percent more than the FY 2011 enacted budget, consisting of \$207,569 more general revenues and \$192,322 less federal funds. The increase in general revenue and decrease in federal funds is due primarily to an operating (structural) deficit in federal funds arising from higher operating costs not matched by the revenues generated for cases co-filed with the US Equal Opportunity Commission and the US Department of Housing and Urban Development.

For FY 2012, the Governor recommends total expenditures of \$1.5 million, including \$1.2 million in general revenue and \$301,552 in federal funds. Compared to the FY 2011 enacted budget, the FY 2012 recommended expenditures are \$83,903 more, consisting of \$139,060 more general revenues and \$55,157 less federal funds. The increase in general revenue is due to shift from federal funds of \$55,157 due to the operating (structural) deficit alluded to for FY 2011 revised operating activities and the balance of \$83,090 for current service cost adjustments related to personal services costs, which include a three percent salary cost of living adjustment, as well as revised working rates for medical and non-medical employee benefits.

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

Public Utilities Commission

The Governor recommends revised FY 2011 total expenditures of \$7.7 million for the Public Utilities Commission, comprising of \$296,330 from federal funds and \$7.4 million from restricted receipts. This recommendation is \$11,636 less than the enacted appropriation and consists of \$11,636 less restricted receipts, all of which relates to less than anticipated operating supplies and expense.

For FY 2012, the Governor recommends total expenditures of \$8.1 million, consisting of \$309,373 from federal funds and \$7.8 million from restricted receipts. This reflects an increase of \$378,350 or 4.9 percent from the FY 2011 enacted budget and consists of \$13,043 more federal funds and \$365,307 more restricted receipts. The net increase in restricted receipts expenditures reflect current service adjustments for personal services costs, including a three percent salary cost of living adjustment and revised medical and non-medical working rates as provided and determined by the State Budget Office.

The Governor recommends 46.0 FTE positions in the FY 2011 revised and FY 2012 budget recommendations, the same as the enacted budget.