State of Rhode Island and Providence Plantations

Executive Summary

Fiscal Year 2013

Lincoln D. Chafee, Governor

costs more than $175.00 per item and expand the sales and use tax base to include a handful of services is projected to generate net general revenues of $146.3 million over the same five year period.

The Governor's proposal to accelerate the implementation of the registration and driver license fee increases enacted by the General Assembly in the FY 2012 budget to January 1, 2013 provides $34.5 million of additional revenue directly to the Intermodal Surface Transportation Fund and indirectly to the Department of Transportation over the FY 2013 – FY 2015 period. The impact on the general fund is the result of the Governor's policy decision to shift currently gas tax funded debt service to general revenue funding over a five year period, as is further explained below under Expenditures.

The Governor's cigarette and other tobacco products tax initiatives combined with the proposal to increase tobacco tax enforcement activities results in additional general revenues of $35.5 million over the FY 2013 through FY 2017 period.

One revenue change in the Governor's proposed FY 2013 Budget to restricted receipts has a positive impact on general revenues and is included in the five year estimate through an indirect cost recovery. The Governor has proposed to reduce the Telecommunication Access Fund fee on land line phones from $0.26 to $0.15 and apply this reduced fee to wireless phones. It is estimated that there will be additional revenue of $732,464 to the Telecommunication Education Access Fund which is subject to a 10.0 percent cost recovery and enhances general revenues annually by $84,693 in FY 2013 through FY 2017.

Two revenue enhancements in the Governor's proposed FY 2013 Budget have only a FY 2013 impact and thus are only included for FY 2013. These items are the $3.1 million transfer in excess reserves from the Narragansett Bay Commission to cover the debt service on general obligation bonds issued by the State on NBC's behalf and the $10.9 million of anticipated revenue from the administration of a tax amnesty program for the period September 1, 2012 through November 15, 2012. The FY 2014 revenue estimate also includes the one time revenue generated from license plate reissuance.

The FY 2013 five year revenue projection without the onset of gaming competition in Massachusetts forecasts total general revenues of $3.754 billion in FY 2017. For the FY 2013 through FY 2017 period, the average annual rate of growth is 3.2 percent excluding the impact of Massachusetts gaming competition on Rhode Island. The current five year forecast, which incorporates the establishment of gaming competition in Massachusetts, projects $3.609 billion of general revenue by FY 2017, resulting in $144.2 million less in resources than was projected without gaming competition in Massachusetts. The resulting average annual growth rate for the FY 2013 through FY 2017 period is 2.4 percent or 25.0 percent lower than the FY 2013 through FY 2017 average annual growth rate without gaming competition in Massachusetts.

All told, the Governor's ongoing revenue proposals, excluding the hospital licensing fee, result in increased general revenues of $434.2 million over the forecast period. Unfortunately, the establishment of gaming facilities in Massachusetts is projected to reduce the lottery transfer to the state's General Fund by $310.6 million over the same period.

Expenditures

Expenditure side risks must also be noted within the five-year projection. There are initiatives contained in the Governor's FY 2013 budget that set the expenditure base at a lower level and therefore a risk to the forecast is the passage of those proposals and their successful implementation. Conversely, as described above, if revenues are better than forecast in the near or long-term, adjustments could, and likely would, be made to some of the Governor's expenditure proposals thus impacting out year projections.

A recurring risk to the five-year forecast relates to medical services inflation, utilization, and technological change. Beneficial changes in medical technology and the resultant change in utilization of medical services are especially difficult to forecast. These factors are particularly influential, since a significant part of the budget is driven by medical costs and since costs have been accelerating at a rapid rate. This impacts both the costs incurred for the clients the state services and its employees. While costs for medical care will continue to be an underlying driver of state personnel costs in the forecast, it is assumed that growth for state employee health benefit costs will average 6.3 percent annually through FY 2017. The forecast also assumes that state employees will continue to share in the cost of medical insurance premiums and costs will moderate due to proposed plan design changes.

Another expenditure side risk involves demographic shifts such as the aging of the baby-boomer population which will present a greater need to enhance and expand the infrastructure for elderly care towards the end of the five year horizon. Also of concern is the implementation of the Affordable Care Act and the impact this will have on state expenditures for medical services to Medicaid eligible citizens.

Personnel and Other Operations

The wage projections contained in the personnel estimates assume no cost of living adjustment in FY 2013. Step increases and educational incentives are estimated to add about 1.0 percent annually to the salary and fringe benefit costs and have been incorporated into the analysis. COLAs reflecting the CPI are included for FY 2014 and thereafter, assuming settlement of collective bargaining agreements. In FY 2014, salary costs are projected to grow 3.75 percent reflecting a 2.75 percent CPI adjustment and 1.0 percent for steps, followed by increases of 3.87 percent, 3.11 percent, and 3.12 percent in each fiscal year through FY2017.

The forecast reflects employee cost sharing that is expected to offset health insurance costs in FY 2013 and throughout the forecast period. Average employee cost sharing of 20.0 percent of medical premium cost in FY 2013 and thereafter is projected. This compares with average employee cost sharing of just 11.0 percent in FY 2009. Gross medical cost increases for state employee health care premiums are expected to grow 6.2 percent annually on average in the forecast.

Pension reform legislation enacted in the fall of 2011 will have a major impact on the growth in benefits costs. According to actuarial projections by Gabriel, Roeder, Smith and Company, the annual required contribution rate for state employees is expected to increase form 22.18 percent in FY 2013 to a high of 24.72 percent in FY 2016 and then begin decreasing to 23.66 percent in FY 2017. These rates are substantially lower than those projected at the time of enactment of the FY 2012 budget. At that time, the annual required contribution rate was projected to increase from 22.98 percent in FY 2012 to 36.34 percent in FY 2013 and 44.62 percent by FY 2017. Based upon projected payroll growth and the forecast retirement contribution rates, the general revenue funded contribution for state employee members would grow from a projected $83.5 million in FY 2013 to $102.1 million in FY 2017, reflecting growth of $18.5 million in retirement costs, an average increase of 6.7 percent a year.

Personnel and operating costs continue to be constrained during FY 2013. The Governor's proposed FY 2013 budget includes $34.4 million less in personnel and operating than was projected for FY 2013 in the previous five year forecast. This highlights the success in managing costs within available resources. The current five year forecast assumes $989.1 million of personnel and operating costs in FY 2013 and an average growth of 3.6 percent over the five year interval, resulting in an estimated cost of $1.138 billion in FY 2017, an increase of $150.9 million. This estimate incorporates the impact of a number of initiatives or other changes that will impact out year expenses. These include costs associated with the reissuance of license plates beginning in FY 2014, as required under current law; annual payments to the Convention Center Authority for the renewal and replacement fund for the Dunkin Donuts Center, as required under the State's lease agreement with the Authority; annualized costs associated with new food inspectors in the Department of Health; and annualized savings from several initiatives included in the Governor's FY 2013 recommended Budget.

Grants and Benefits

Grants and Benefits are projected to increase by an average of 7.0 percent annually from FY 2013 to FY 2017. This growth rate results in an increase of $353.6 million in this category of spending over the five year horizon. The growth rates used in the five year forecast were derived from the health expenditure projections developed by the Centers for Medicaid and Medicare (CMS). These projections reflect significant growth in certain categories, primarily Medicaid related, in fiscal years 2014 and 2015, due in part to the implementation of the Patient Protection and Affordable Care Act (ACA). Since these are national projections, they may or may not be valid for Rhode Island, but lacking better data, the State Budget Office selected these growth rates for use in this year's five year projections. The implications of health care reform and the implementation of provisions under the ACA could have a significant impact on Medicaid spending, but much of this will be dependent upon what populations are included. Under the ACA, states will be responsible for covering the cost of those citizens already eligible for Medicaid benefits under the state's current eligibility requirements, but not enrolled in Medicaid. These costs will be shared with the Federal Government at the existing FMAP rate. Citizens that will be newly eligible for Medicaid benefits under ACA provisions will have their costs covered 100 percent by the Federal Government in the early years of the program.

The Office of Health and Human Services believes that the Medicaid trend in Rhode Island may be lower than national projections because Rhode Island's eligibility levels for both parents and children are already higher than many other states and most people eligible for these programs are already enrolled. Rhode Island also has a medically needy program, which helps to minimize the state's uninsured population and thus would mitigate increases in FY 2014 and beyond. As a result, the projections included in this five year forecast should be seen as the worst case scenario in this area and that actual experience will likely be much lower.

The forecast for OHHS grants and benefits is based on the assumption that the Federal Temporary Assistance to Needy Families Cash Assistance Program (TANF) and the RI Works Program (formerly FIP), will meet their stated objectives during the forecast period, that federal block grants will continue at current levels, and that Medicaid matching rates (FMAP) will remain close to those in effect for FY 2013.

The forecast assumes that eligibility and economic influences on RI Works/Child Care caseloads will result in increases in costs of approximately 2.4 percent annually. These exclusively reflect continuing additions for child care subsidies, which are extended to low-income families even after cash assistance clients gain access to unsubsidized employment. Federal block and matching grant resources are assumed to be insufficient to finance these incremental costs throughout the forecast period, and, therefore, general revenue dollars are added. No additional effects from the implementation of the new RI Works program are recognized in the estimates, and it is assumed that federal TANF resources will remain sufficient to meet the entire cost of the RI Works program throughout the forecast horizon.

SSI caseloads will increase slightly, as both the aged, blind and disabled beneficiary population is forecast to increase moderately over the five-year period, resulting in increased costs of 2.4 percent per annum, on average.

DHS Medicaid projections reflect proposed changes in service delivery models, the scope of covered services, and provider rates, including (but not limited to) uniform reductions to Medicaid managed care payment rates, the elimination of dental services for adults age 21 and older, the reinstatement of "lesser of logic" edits for inpatient hospital fee-for-service claims, and the initiation of clinical utilization reviews for recipients of home and community based services (HCBS) and certain children with special healthcare needs. No further savings beyond those recommended for FY 2013 are incorporated in the forecast, though several of these initiatives are embedded in the FY 2013 base for only a portion of the fiscal year. Where appropriate, these costs savings were annualized for FY 2014 through FY 2017.

Pharmacy inflation is assumed at 16.5 percent annually on average. Five-year estimates also reflect a schedule increasing federal "clawback" assessment charges for Part D Medicare benefits to dually eligible Medicaid clients.

The managed care forecast assumes that base costs will inflate at 6.6 percent on average per year until FY 2017. Incorporated into the FY 2013 expenditure base for managed care is a set of proposals in the Governor's Budget to reduce Medicaid managed care capitation rates by 4.14 percent and to refine Medicaid managed care programs through such measures as limitations on allowable administrative expenses, reduction of hospital re-admissions, improved care coordination, and the transition to lower-cost Primary Care Medical Home settings. Estimated FY 2013 savings resulting from these initiatives totals $16.5 million in general revenues.

Similarly, cost trends in institutional long term care include an annual growth rate increasing of 4.1 percent from FY 2013 through FY 2017. For home and community based long-term care, the growth rate over the forecast horizon is estimated at 10.3 percent.

The general revenue expenditures within the Services for the Developmentally Disabilities Private System are projected to increase from $83.1 million in FY 2013 to $124.8 million in FY 2017, which equates to an average annual growth rate of 10.7 percent over the five-year period. There are several factors that could significantly impact expenditures during the forecast period. These include general economic conditions that negatively impact Rhode Islanders; the aging of caregivers; the aging of the existing population; and greater public awareness of the availability and, therefore, the utilization of services. Efforts to restructure the network of providers serving persons with developmental disabilities and efforts to increase shared living arrangements over and above those contained in the Governor's FY 2013 Budget should serve to constrain growth below those contained in the projection. It should be noted that the expenditures only reflect the residential, day program, respite and supported employment services. Medical costs under the Medicaid program are reflected in the Executive Office of Health and Human Services' grant costs.

Behavioral Healthcare Services also increases significantly from FY 2013 through FY 2017. This five-year projection includes a general revenue increase of $32.6 from the FY 2013 recommended level of $22.9 million in Integrated Mental Health Services and a general revenue increase of $5.1 million from the FY 2013 recommended level of $9.6 million. Again, this equates to a growth rate of 10.7 percent over the five-year period and includes the restoration of federal funds to general revenues for savings included in FY 2013 Budget for the Health Home initiative, which allowed the Department to utilize an enhanced rate in federal funding for eight quarters for individuals who met the Health Homes criteria and received services through a designated Health Home provider.

Cost trends for general revenue state match expenditures to the Medicaid, Title IV-E, and other grant programs in the Department of Children Youth and Families are projected to grow from $87.7 million to $134.0 million between FY 2013 and FY 2017. This increase of $46.4 million over the five year period is based on the projected growth rate for Medicaid Services, which equates to a growth rate of 10.7 percent over the five-year period. This increase also includes an additional $500,000 each fiscal year to phase in the new funding methodology for educational costs related to youth who are in the custody of the Department and placed in an educational setting outside of the home school district as determined by the Rhode Island Department of Elementary and Secondary Education.

Local Aid

Local aid expenditures include education aid, the Motor Vehicle Excise Tax Reimbursement, aid to local libraries comprised of Library Resource Sharing and Library Construction Aid, the Payment in Lieu of Taxes (PILOT) program, the Property Revaluation program, and the Distressed Communities Relief program. The Motor Vehicle Excise Tax Reimbursement, Distressed Communities, and PILOT are level funded over the period; Motor Vehicle Excise Tax at $10.0 million, Distressed Communities at $10.4 million, and PILOT at $33.1 million. Growth in Library Resource Sharing, Library Construction Aid and the Property Revaluation program are forecast based on proposed schedules from the responsible Divisions.

In dollar terms, the largest driving force behind local aid expenditure growth from FY 2013 to FY 2017 is Education Aid programs, which are expected to increase by a total of $113.2 million from the FY 2013 base level of $893.0 million. This drastic rise is a direct result of the new education aid funding formula which contains a ten year transition period. Districts that stand to gain money will do so over a seven year period, while losing districts will gradually lose funding over the full ten years. In general, because of how the transition rules are structured, districts losing money are given more time to adjust, causing the early years of the transition period to cost more. Formula aid for the purposes of the five year forecast includes aid to districts, charter schools, Central Falls and the Met School. Formula aid increases by $87.8 million, from $725.1 million in FY 2013 to $812.9 million in FY 2017.

The funding formula is primarily data driven. As a result, changes may occur in the core instruction amount, the state share calculation, increases or decreases in student populations, changes in median family income, student movement between charter schools or state schools, as well as increases or decreases in free and reduced lunch students. To anticipate for these changes, a three percent annual growth rate has been included within the five year forecast. The five year estimate also includes financing for five education aid categorical funds. These categorical funds are projected to increase by $14.9 million, from $7.5 million to $22.5 million over the years.

State contributions for teachers' retirement increase by $15.5 million, from $78.2 million in FY 2013 to $93.7 million in FY 2017. Projections for future required employer contributions to the teachers' retirement fund reflect a two percent teacher payroll growth and increased state contribution rates from 7.88 percent in FY 2013 to 8.75 percent in FY 2017, based on projections from GRS, the actuary for the retirement system Housing aid, which reimburses communities for part of the debt incurred for new school construction is projected to decrease by $2.5 million, from $74.6 million to $72.1 million, assuming the minimum state share ratio remains at 35.0 percent over the next five years.

FY 2013 – FY 2017 Overview

Capital

The projection of capital project disbursements and debt service costs reflects updated debt service projections as included in the FY 2013 – FY 2017 Capital Improvement Plan. General revenue funded debt service on all tax supported obligations are projected to rise from $177.2 million in FY 2013 to $256.8 million in FY 2017, an increase of $79.5 million. The increase is attributable largely to the issuance of debt for the Historic Tax Credit stabilization program, which increases by $26.3 million, the issuance of certificates of participation and EDC debt to finance the acquisition of the I-195 land from DOT, which increases by $11.2 million and the issuance of general obligation debt, which increases by $4.6 million. Also included in the five year projections is the Governor's proposal to shift financing of transportation debt service from the Intermodal Surface Transportation Fund to general revenue over a five year period beginning with a $10 million shift in FY 2014 and increasing by $10 million annually until all such debt service moved. This adds an additional $40.0 million in general revenue expenditures by FY 2017.

The five year forecast is based upon outstanding debt and projected new debt contained in the Governor's recommended FY 2013 - 2017 Capital Budget. Interest rates for fixed rate general obligation bonds to be issued to fund projects are projected at 5.0 percent. Interest rates for issuance of twenty-year fixed rate certificates of participation are estimated at 5.5 percent. Historic Tax Credit debt is projected to be issued at 6 percent over 9 years in 2013, 2014, and 2015 and reflects an estimated $56.0 million reduction in bonds issued from the overall authorization due to lower project engagement. The lower general obligation bond issuance in the out years reflects the enactment by the General Assembly of a plan to reduce the reliance on debt issues for the Department of Transportation to provide state match for federal funds. Projected amortization schedules are found in the exhibits contained in Appendix C of the Capital Budget document.

Amortization of existing debt combined with new debt issuance, results in increased general revenue appropriations for debt service of $79.5 million from FY 2013 to FY 2017. Disbursements for capital projects are reflected as Rhode Island Capital Plan Fund expenditures, not general revenue, and therefore are not reflected in the five-year report as operating costs. Between FY 2013 and FY 2017, there is an increase of $26.3 million for debt for the Historic Tax Credit stabilization program, and a $44.6 million increase for general obligation debt, which includes the assumption of debt service from DOT over this period. Performance based obligations increase remains at $7.0 million. Debt service on certificates of participation increases by $11.2 million from $32.4 million in FY 2013 to $44.6 million in FY 2017, including the $40.0 million of Transportation debt service previously funded by gas tax. This includes proposed new COPS authorization for an integrated tax system, the statewide financial management system and an LEA Technology program. Convention Center debt service remains at $23.1 million.

The projected general revenue requirements for debt service are dependent upon the allocation of debt service costs to other sources of funds. As stated above, however, the Governor recommends that debt service on transportation debt, which is currently funded with gas tax proceeds, be shifted to general revenue financing over a five year period beginning in FY 2014. In addition, the Governor is recommending that transportation debt be restructured during FY 2012 to provide near term relief to the Intermodal Surface Transportation Fund and to level debt service payments, which under current schedules would increase substantially in FY 2013. As a result of the financing plan enacted by the General Assembly in the 2011 session, the use of debt to provide matching funds for federal highway funding will be discontinued by FY 2016 and thus no new debt will be issued for this purpose after that time. The five year forecast reflects the transition of debt service from gas tax financing to general revenue financing beginning in FY 2014 at a cost of $10.0 million each year until all transportation debt service is financed from general revenues by FY 2018.

FY 2013 – FY 2017 Overview

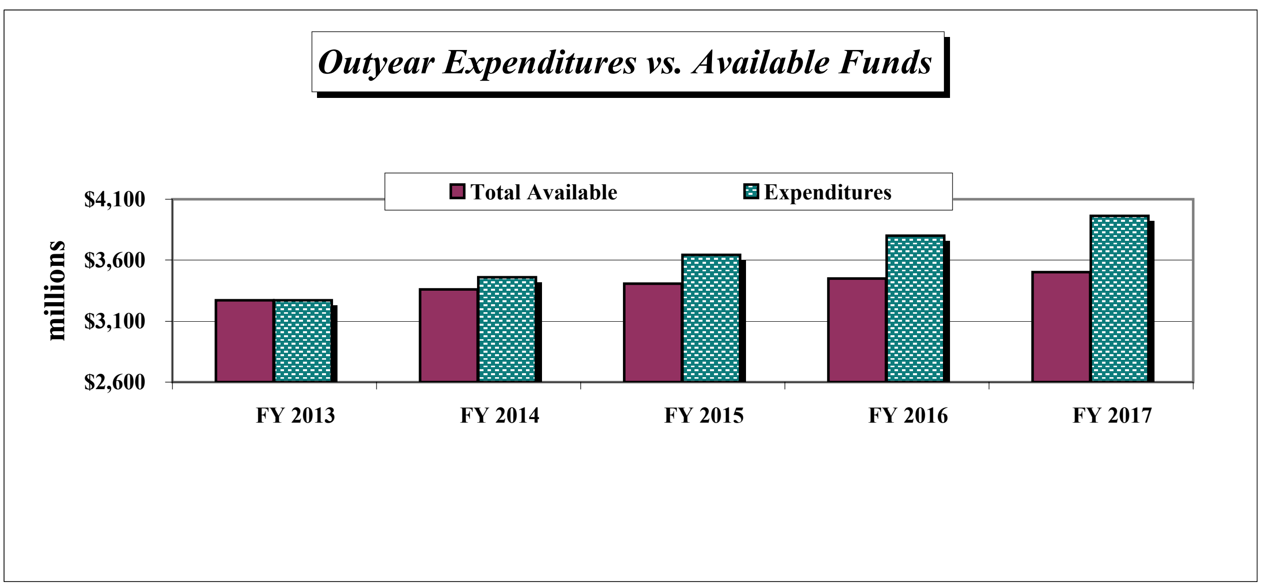
The obligations arising from performance based contracts between the Rhode Island Economic Development Corporation and private entities are projected to require the same amount of state appropriations due to the projected achievement of performance targets. Fidelity job rent credits are expected to result in a state obligation of $3.5 million in FY 2012 and $3.5 million in FY 2015. The FY 2011 obligation reflects projected payments of $2.49 million on Phase I, plus $0.05 million due on Phase II. The forecast assumes no requirement for the Bank of America obligation transaction, which if earned would total approximately $0.3 million. The Providence Place Mall sales tax is expected to continue to fund the maximum $3,560,000 debt service.

Other

The projection also assumes that capital disbursements from general revenues would be $5.3 million in FY 2013, and thereafter. This includes all expenditures that would be subject to fixed assets recording.

General Revenue Outyear Estimates FY 2013 - FY 2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Opening Surplus [1]	**$6.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Plus:					
Taxes and Departmentals	2,973.2	3,061.7	3,158.5	3,252.6	3,321.5
Other Sources	392.5	400.7	356.8	306.4	287.9
Budget Stabilization Fund	(101.1)	(103.9)	(105.5)	(106.8)	(108.3)
Total Available	**3,270.5**	**3,358.5**	**3,409.8**	**3,452.2**	**3,501.1**
Minus Expenditures	**3,269.2**	**3,462.1**	**3,642.0**	**3,801.0**	**3,965.5**
Equals Ending Balance	**$1.3**	**($103.6)**	**($232.2)**	**($348.7)**	**($464.4)**
Operating Surplus or Deficit	***($4.7)***	***($103.6)***	***($232.2)***	***($348.7)***	***($464.4)***
Budget & Cash Stabilization Balance	$168.6	$173.1	$175.8	$178.0	$180.5
RI Capital Fund Balance	$23.5	($5.1)	($4.0)	$7.4	$17.5
Rhode Island Capital Fund					
Capital Projects Disbursements	*$115.3*	*$124.0*	*$101.7*	*$93.2*	*$95.7*



[1] *Under the Rhode Island Constitution, the budget must be balanced each year, thus deficits in any given fiscal year cannot be carried forward to the ensuing fiscal year.*

General Revenue Outyear Estimates

		FY 2013		FY 2014		FY 2015		FY 2016		FY 2017
Personal Income Tax	**$**	**1,086,100,000**	**$**	**1,146,200,000**	**$**	**1,208,500,000**	**$**	**1,261,000,000**	**$**	**1,304,400,000**
General Business Taxes:										
Business Corporations & Franchise		117,200,000		124,900,000		132,600,000		136,900,000		141,500,000
Public Utilities		101,000,000		102,600,000		103,800,000		104,600,000		105,400,000
Financial Institutions		1,000,000		1,700,000		1,900,000		1,500,000		1,000,000
Insurance Companies		101,400,000		112,500,000		118,900,000		120,200,000		120,400,000
Bank Deposits		2,000,000		2,100,000		2,100,000		2,200,000		2,200,000
Health Care Provider		42,600,000		43,600,000		44,800,000		46,200,000		47,800,000
General Business Taxes	**$**	**365,200,000**	**$**	**387,400,000**	**$**	**404,100,000**	**$**	**411,600,000**	**$**	**418,300,000**
Sales and Use Taxes:										
Sales and Use		940,900,000		944,900,000		963,500,000		991,400,000		1,010,500,000
Motor Vehicle		48,300,000		50,100,000		48,600,000		48,600,000		48,500,000
Motor Fuel		1,100,000		1,100,000		1,100,000		1,100,000		1,200,000
Cigarettes		135,900,000		132,600,000		129,500,000		126,400,000		123,400,000
Alcohol		11,900,000		12,300,000		12,700,000		13,100,000		13,400,000
Controlled Substances		-		-		-		-		-
Sales and Use Taxes	**$**	**1,138,100,000**	**$**	**1,141,000,000**	**$**	**1,155,400,000**	**$**	**1,180,600,000**	**$**	**1,197,000,000**
Other Taxes:										
Inheritance and Gift		31,200,000		32,600,000		34,500,000		35,600,000		36,200,000
Racing and Athletics		1,100,000		1,100,000		1,000,000		1,000,000		1,000,000
Realty Transfer Tax		6,000,000		6,500,000		6,600,000		7,000,000		7,500,000
Other Taxes	**$**	**38,300,000**	**$**	**40,200,000**	**$**	**42,100,000**	**$**	**43,600,000**	**$**	**44,700,000**
Total Taxes	**$**	**2,627,700,000**	**$**	**2,714,800,000**	**$**	**2,810,100,000**	**$**	**2,896,800,000**	**$**	**2,964,400,000**
Total Departmental Receipts		345,600,000		347,000,000		348,400,000		355,600,000		357,100,000
Taxes and Departmentals	**$**	**2,973,300,000**	**$**	**3,061,800,000**	**$**	**3,158,500,000**	**$**	**3,252,400,000**	**$**	**3,321,500,000**
Other Sources										
Gas Tax Transfers		-		-		-		-		-
Other Miscellaneous		5,800,000		2,700,000		2,700,000		2,700,000		2,700,000
Lottery Commission Receipts*		376,800,000		387,800,000		343,700,000		293,100,000		273,400,000
Unclaimed Property		9,900,000		10,100,000		10,400,000		10,600,000		11,800,000
Other Sources	**$**	**392,500,000**	**$**	**400,600,000**	**$**	**356,800,000**	**$**	**306,400,000**	**$**	**287,900,000**
Total General Revenues	**$**	**3,365,800,000**	**$**	**3,462,400,000**	**$**	**3,515,300,000**	**$**	**3,558,800,000**	**$**	**3,609,400,000**

* The five-year general revenue projection assumes the opening of a racino in Massachusetts in FY 2015 and three casinos with hotels in FY 2016. The location of these gaming facilities are assumed to be as indicated in the Likely Case scenario contained in the report titled *Gaming Study and Economic Impact Analysis* prepared by Christainsen Capital Advisors, LLC for the Rhode Island Department of Revenue.

General Revenue Outyear Estimates - Percentage Changes

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Income Tax	**5.1%**	**5.5%**	**5.4%**	**4.3%**	**3.4%**
General Business Taxes:					
Business Corporations	4.0%	6.6%	6.2%	3.3%	3.3%
Public Utilities	1.6%	1.6%	1.2%	0.8%	0.7%
Financial Institutions	0.0%	75.0%	8.7%	-20.2%	-35.5%
Insurance Companies	1.9%	10.9%	5.6%	1.1%	0.1%
Bank Deposits	0.0%	3.1%	3.0%	2.9%	2.8%
Health Care Provider	1.9%	2.3%	2.8%	3.2%	3.3%
General Business Taxes	**2.5%**	**6.1%**	**4.3%**	**1.9%**	**1.6%**
Sales and Use Taxes:					
Sales and Use	11.3%	0.4%	2.0%	2.9%	1.9%
Motor Vehicle	0.1%	3.8%	-3.1%	0.0%	-0.2%
Motor Fuel	0.0%	2.0%	-2.3%	4.2%	2.3%
Cigarettes	3.3%	-2.4%	-2.4%	-2.4%	-2.4%
Alcohol	0.8%	3.1%	3.3%	3.2%	2.7%
Controlled Substances					
Sales and Use Taxes	**9.7%**	**0.3%**	**1.3%**	**2.2%**	**1.4%**
Other Taxes:					
Inheritance and Gift	-8.1%	4.3%	5.8%	3.2%	1.8%
Racing and Athletics	-8.3%	-2.2%	-2.7%	-2.0%	-2.3%
Realty Transfer Tax	-1.6%	7.6%	1.8%	7.2%	6.6%
Other Taxes	**-7.1%**	**4.6%**	**4.9%**	**3.7%**	**2.5%**
Total Taxes	**6.4%**	**3.3%**	**3.5%**	**3.1%**	**2.3%**
Total Departmental Receipts	**1.5%**	**0.4%**	**0.4%**	**2.1%**	**0.4%**
Taxes and Departmentals	**5.8%**	**3.0%**	**3.2%**	**3.0%**	**2.1%**
Other Sources					
Gas Tax Transfers	n/a	n/a	n/a	n/a	n/a
Other Miscellaneous	-65.9%	-53.5%	0.0%	0.0%	0.0%
Lottery Commission Receipts*	2.6%	2.9%	-11.4%	-14.7%	-6.7%
Unclaimed Property	26.9%	2.5%	2.6%	2.0%	11.4%
Other Sources	**0.1%**	**2.1%**	**-10.9%**	**-14.1%**	**-6.0%**
Total General Revenues	**5.1%**	**2.9%**	**1.5%**	**1.2%**	**1.4%**

* The five-year general revenue projection assumes the opening of a racino in Massachusetts in FY 2015 and three casinos with hotels in FY 2016. The location of these gaming facilities are assumed to be as indicated in the Likely Case scenario contained in the report titled *Gaming Study and Economic Impact Analysis* prepared by Christainsen Capital Advisors, LLC

General Revenue Outyear Expenditure Estimates

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
State Operations					
Personnel	$855,600,000	$885,700,000	$929,200,000	$963,300,000	$991,000,000
Other State Operations	133,500,000	137,200,000	141,100,000	144,100,000	147,200,000
Impact of Initiatives/Other Changes	0	4,666,341	590,000	410,000	(190,000)
Subtotal	**$989,100,000**	**$1,027,566,341**	**$1,070,890,000**	**$1,107,810,000**	**$1,138,010,000**
		3.9%	4.2%	3.4%	2.7%
Grants and Benefits					
Department of Human Services					
Hospitals	49,010,000	55,010,000	61,990,000	66,910,000	71,650,000
Managed Care	390,200,000	417,940,000	450,220,000	477,650,000	504,270,000
Nursing Care	167,640,000	173,680,000	180,710,000	188,240,000	196,700,000
Home Care	36,740,000	39,760,000	44,370,000	48,490,000	52,930,000
Other Medicaid	43,560,000	48,980,000	56,380,000	60,910,000	65,600,000
Pharmacy	2,810,000	3,550,000	4,390,000	4,750,000	5,130,000
Medicaid (Case Mang't & Core Waiver)	7,560,000	8,420,000	9,390,000	10,260,000	11,200,000
Cash Assistance - TANF/FIP/Child Care	11,110,000	11,930,000	12,260,000	12,520,000	12,790,000
Cash Assistance - SSI	18,620,000	19,130,000	19,670,000	20,090,000	20,510,000
Clawback	51,000,000	52,400,000	53,880,000	55,010,000	56,180,000
DSH	61,160,000	55,600,000	57,170,000	58,370,000	59,610,000
HIV/ADAP Formulary (CNOM)	2,420,000	2,750,000	3,120,000	3,370,000	3,630,000
Department of Children Youth & Families					
Children & Family Services	87,670,000	100,310,000	114,230,000	123,940,000	134,030,000
Department of Behavioral Healthcare, Developmental Disabilities & Hospitals					
Developmental Disabilities-Private	83,130,000	94,340,000	107,160,000	115,840,000	124,770,000
Integrated Mental Health	22,880,000	38,430,000	47,710,000	51,550,000	55,520,000
Substance Abuse	9,550,000	10,750,000	12,520,000	13,640,000	14,690,000
Other Grants and Benefits	93,210,000	95,770,000	98,460,000	100,540,000	102,680,000
Subtotal	**$1,138,270,000**	**$1,228,750,000**	**$1,333,630,000**	**$1,412,080,000**	**$1,491,890,000**
		7.9%	8.5%	5.9%	5.7%
Local Aid					
Education Aid	892,990,000	920,840,000	951,130,000	980,970,000	1,006,140,000
Motor Vehicle Tax Reimbursements	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
PILOT	33,080,000	33,080,000	33,080,000	33,080,000	33,080,000
Distressed Communities	10,380,000	10,380,000	10,380,000	10,380,000	10,380,000
Library Aid	11,250,000	12,500,000	12,990,000	13,030,000	13,030,000
Property Revaluation Prgm	1,610,000	520,000	980,000	1,960,000	960,000
Subtotal	**$959,310,000**	**$987,320,000**	**$1,018,560,000**	**$1,049,420,000**	**$1,073,590,000**
		2.9%	3.2%	3.0%	2.3%
Capital					
Debt Service					
General Obligation	93,430,000	90,230,000	95,440,000	92,950,000	98,040,000
Transportation Debt to General Revenue	0	10,000,000	20,000,000	30,000,000	40,000,000
Historic Tax Credit Program	21,260,000	22,730,000	28,460,000	32,410,000	43,570,000
GO Restructuring	-500,000	0	0	0	0
COPS/Other Leases	32,420,000	37,560,000	39,170,000	40,460,000	44,600,000
Convention Center	23,140,000	23,140,000	23,080,000	23,080,000	23,070,000
Performance Based	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
TANS	470,000	470,000	470,000	470,000	470,000
Capital Improvements					
Other Projects	5,290,000	5,290,000	5,290,000	5,290,000	5,290,000
Subtotal	**$182,510,000**	**$196,420,000**	**$218,910,000**	**$231,660,000**	**$262,040,000**
		7.6%	11.4%	5.8%	13.1%
Total	**$3,269,190,000**	**$3,462,056,341**	**$3,641,990,000**	**$3,800,970,000**	**$3,965,530,000**
Difference		**$192,866,341**	**$179,933,659**	**$158,980,000**	**$164,560,000**
		5.90%	**5.20%**	**4.37%**	**4.33%**

General Revenue Outyear Planning Values

Estimates and Growth	FY2012	FY2013	FY2014	FY2015	FY 2016	FY 2017
Personal Income (billions) [1]	$46.5	$48.5	$50.5	$52.9	$55.4	$57.7
Change		*4.1%*	*4.1%*	*4.9%*	*4.6%*	*4.2%*
Nonfarm Employment (thousands) [1]	464.2	467.9	478.8	496.4	511.1	519.1
Change		*0.8%*	*2.3%*	*3.7%*	*3.0%*	*1.6%*
Personal Income Tax						
Wages and Salaries [1]	2.4%	3.7%	4.5%	5.1%	5.3%	4.4%
Business Corporation Tax [2]	6.2%	1.8%	10.9%	10.3%	5.5%	4.1%
Provider Tax [3]	3.2%	1.9%	2.3%	2.8%	3.2%	3.3%
Sales Tax						
Wages and Salaries [1]	2.4%	3.7%	4.5%	5.1%	5.3%	4.4%
Gasoline Tax						
Real Consumption [4]	4.3%	4.2%	2.5%	1.4%	2.3%	2.0%
Other Taxes and Departmentals [16]	0.3%	1.3%	2.0%	0.9%	1.0%	0.0%
CPI-U (U.S.) [1]	2.0%	2.0%	2.7%	2.8%	2.1%	2.1%
Salaries and Fringe Benefits						
Salary COLA - [11], CPI-U [1]	3.0%	2.0%	2.7%	2.8%	2.1%	2.1%
Steps and Longevity Increases [3]	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Medical Benefits Costs [8]	3.7%	4.4%	7.1%	7.7%	6.1%	5.6%
Retiree Health Costs [13]	6.86%	6.86%	6.86%	6.86%	6.86%	6.86%
State Employees Retirement Costs [14]	22.98%	22.54%	24.11%	24.72%	23.66%	22.89%
Home Health Care						
Expenditure Growth [5]	21.9%	8.4%	11.3%	11.6%	9.3%	9.1%
Nursing Home Care						
Expenditure Growth [6]	19.5%	3.1%	3.6%	4.0%	4.2%	4.5%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Managed Care/State Employee Plan						
Expenditure Growth [8]	3.7%	4.4%	7.1%	7.7%	6.1%	5.6%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other DHS Medicaid						
Expenditure Growth [7]	21.4%	6.7%	13.8%	13.3%	8.0%	7.7%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BHDDH- Mental Health						
Expenditure Growth [8]	3.7%	4.4%	7.1%	7.7%	6.1%	5.6%
DCYF Services						
Expenditure Growth [7]	21.4%	6.7%	13.8%	13.3%	8.0%	7.7%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BHDDH- MR/DD						
Expenditure Growth [7]	21.4%	6.7%	13.8%	13.3%	8.0%	7.7%
Medicaid Reform Deflator [10]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pharmacy						
Expenditure Growth [9]	15.3%	5.8%	26.1%	23.6%	8.3%	8.0%
Hospital Care						
Expenditure Growth [15]	14.4%	5.4%	12.2%	12.7%	7.9%	7.1%

[1] *November 2011 Revenue Estimating Conference Consensus Economic Forecast., FY 2012 - FY 2017.*
[2] *Moody's Economy.com Quarterly U.S. Economic Forecast November 2010, Nominal Corporate Profits Before Tax.*
[3] *State of Rhode Island Budget Office Estimate.*
[4] *Moody's Economy.com Quarterly U.S. Economic Forecast November 2011, Real Gasoline and Oil Consumption.*
[5] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Home Health Care: Medicaid*
[6] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Nursing Home Care: Medicaid*
[7] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Total Health Expenditures: Medicaid*
[8] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Total Health Expenditures: Private Insurance as proxy*
[9] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Prescription Drugs: Medicaid*
[10] *No extraordinary decrease in expenditures unique to RI is forecasted in this five year forecast.*
[11] *Based on CPI.*
[13] *Reflects funding on an actuarial basis beginning with Fiscal 2011. Pending actuarial analysis as of June 30, 2011 could impact thses rates.*
[14] *Estimate of actuarially required contribution based upon a % of payroll (GRS analysis of RI Retirement Security Act, Nov. 2011)*
[15] *CMS National Health Expenditures Historical and Projections January 2011, 1965-2020, Hospital Care: Medicaid*
[16] *State of Rhode Island Budget Office Estimate, Consisting of all Other Taxes plus Departmentals minus Personal Income, Business Corporation, Health Care Provider Assessment, Sales and Use Taxes and Other Sources*